TRANSCRIPT OF RECORD.

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1918.

No. 828.

THE UNITED STATES, PLAINTIFFS IN ERROR,

vs.

COLGATE & COMPANY.

IN ERROR TO THE DISTRICT COURT OF THE UNITED STATES FOR THE EASTERN DISTRICT OF VIRGINIA.

FILED JANUARY 22, 1919.

(26914)

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a In the District Court of the United States for the Eastern District of Virginia.

UNITED STATES OF AMERICA, PLAINTIFF IN ERROR,
v.
COLGATE & COMPANY, A CORPORATION, DEFENDANT IN ERROR.

The President of the United States to Colgate & Company, a corporation, greetings:

You are hereby cited and admonished to be and appear at the Supreme Court of the United States, to be holden at the city of Washington, D. C., within thirty days, pursuant to a writ of error filed in the clerk's office of the District Court of the United States, Eastern District of Virginia, wherein the United States of America is plaintiff in error and you are defendant in error, to show cause, if any there be, why the judgment and decision rendered against the said plaintiff in error, as in the said writ of error mentioned, should not be corrected, and why speedy justice should not be done to the parties in that behalf.

Witness the Honorable Edmund Waddill, jr., judge of the District Court of the United States, this 10" day of January, in the year of our Lord one thousand nine hundred and nineteen.

EDMUND WADDILL, Jr.,
United States District Judge, Eastern District of Virginia.

Service accepted this 18th day of January, 1919.

CHARLES WESLEY DUNN,
MASON TROWBRIDGE,
Attorneys for Defendant in Error.

b (Endorsed:) No. 850. In the District Court of the United States, Eastern District of Virginia. United States of America, plaintiff in error, v. Colgate & Company, a corporation, defendant in error. *Citation.* Filed Jany. 10th, 1919. R. E. Powers, deputy clerk.

c UNITED STATES OF AMERICA, *ss:*

The President of the United States to the honorable the judge of the United States District Court for the Eastern District of Virginia, greeting:

Because in the record and proceedings, as also in the rendition of the judgment of a plea which is in the said District Court before you, between the United States, plaintiff, and Colgate & Company, a corporation, defendant, a manifest error hath happened, to the great damage of the said United States, as by its complaint appears. We being willing that error, if any hath been, should be duly corrected, and full and speedy justice done to the parties aforesaid in this be-

half, do command you, if judgment be therein given, that then under your seal, distinctly and openly, you send the record and proceedings aforesaid, with all things concerning the same, to the Supreme Court of the United States, together with this writ, so that you have the same in the said Supreme Court at Washington, within thirty days from the date hereof, that the record and proceedings aforesaid being inspected, the said Supreme Court may cause further to be done therein to correct that error, what of right, and according to the laws and customs of the United States should be done.

Witness the Honorable Edmund Waddill, jr., Judge of the District Court of the United States for the Eastern District of Virginia, the 10th day of January, in the year of our Lord one thousand nine hundred and nineteen.

[SEAL.] JOSEPH P. BRADY,
Clerk of the District Court of the United States.

Before WADDILL, J.
Allowed by the court.

EDMUND WADDILL, Jr.,
U. S. Dist. Ct.

d *Return.*

Executed this 10th day of January, 1919, by lodging a copy of the within writ of error among the papers in the case of United States versus Colgate & Company, indictment No. 850.

JOSEPH P. BRADY,
Clerk, United States District Court.

e (Endorsed:) No. 850. In the United States District Court for the Eastern District of Virginia. United States of America v. Colgate & Company, a corporation. Writ of error. Filed Jany. 10th, 1919. R. E. Powers, deputy clerk.

1 *Transcript of record.*

UNITED STATES OF AMERICA,
Eastern District of Virginia, ss:

At a District Court of the United States for the Eastern District of Virginia, begun and held at the United States court room in the Post Office Building, in the city of Richmond, Virginia, on the first Monday in the month of October, being the seventh day of the same month, in the year of our Lord one thousand nine hundred and eighteen.

Present: The Honorable Edmund Waddill, jr., judge of the District Court of the United States for the Eastern District of Virginia.

Among other were the following proceedings, to wit:

UNITED STATES OF AMERICA,
vs.
COLGATE & COMPANY.
} Indictment No. 850.

2 *Indictment.*

Entered and filed December 2nd, 1918.

Fall term, 1918.

The grand jurors of the United States of America, duly impaneled, sworn, and charged to inquire in and for the eastern district of Virginia, and so inquiring, upon their oaths, do find and present as follows:

Throughout the period of three years immediately preceding the return of this indictment Colgate & Company (hereinafter called the defendant) was a corporation organized and existing under the laws of the State of New Jersey, having its general offices, factories, and salesrooms at Jersey City in said State, and there engaged in producing laundry soaps, toilet soaps, and other toilet articles, and in selling and shipping such products to wholesale and retail dealers in the eastern district of Virginia and throughout the United States. Throughout the said period of time the said wholesale dealers respectively resold and reshipped large quantities of such products, received by them from the defendant, to retail dealers both within and without the respective States in which the wholesale dealers so received such products. Throughout the said period of time the aforesaid retail dealers respectively resold and transported and delivered large quantities of such products, received by them from the said wholesale dealers and from the defendant, to the consuming public both within and without the respective States where the said retail dealers so received such products. The above-described sales, resales, shipments, and deliveries of the products of the defendant constituted trade and commerce among the several States of the United States.

3 During the aforesaid period of time, within the said eastern district of Virginia and throughout the United States, the defendant knowingly and unlawfully created and engaged in a combination with said wholesale and retail dealers, in the eastern district of Virginia and throughout the United States, for the purpose and with the effect of procuring adherence on the part of such dealers (in reselling such products sold to them as aforesaid) to resale prices fixed by the defendant, and of preventing such dealers from reselling such products at lower prices, thus suppressing competition amongst such wholesale dealers and amongst such retail dealers, in restrain of the aforesaid trade and commerce among the several States, in violation of the act entitled "An act to protect trade and commerce against unlawful restraints and monopolies," approved July 2, 1890.

Pursuant to the aforesaid combination and in furtherance of its objects the following things were done: Defendant distributed amongst the wholesale and retail dealers in its products letters, telegrams, circulars, and lists showing uniform wholesale prices and uniform retail prices to be charged for its aforesaid products. It urged the said wholesale and retail dealers, by letters and circulars and orally, to adhere to the prices thus indicated in reselling such products. It informed the said wholesale and retail dealers, by letters and circulars and orally, that it would refuse to sell its products to any dealer who did not resell such products at the prices thus indicated. It requested the said wholesale and retail dealers, orally and by letters, to inform it of sales by dealers, at wholesale and retail, at prices other than those indicated as aforesaid. Induced by such requests, many such dealers informed defendant of sales by other dealers at prices other than those indicated as aforesaid. Defendant thus secured from many such dealers information as to many such sales. It also investigated and discovered, through
4 its representatives, agents, and employees, other sales by dealers in its products, at wholesale and retail, at prices other than those indicated as aforesaid. It placed the name of dealers, wholesale and retail, whom it ascertained to have made such sales at prices other than those indicated as aforesaid on lists which it called "Suspended lists." It requested the dealers whom it ascertained to have made such sales to give it assurances and promises that they would in future resell its products at the prices which it indicated. It uniformly refused to sell its products to dealers who had made sales at prices other than those indicated as aforesaid until such dealers gave assurances and promises that they would thereafter resell its products at the prices which it indicated. Induced by such requests and by such refusals, many dealers, wholesale and retail, who had sold such products at prices other than those indicated as aforesaid gave to defendant assurances and promises that they would thereafter resell such products at the prices indicated by defendant. Defendant thus procured many such assurances and promises from dealers in the eastern district of Virginia and throughout the United States, and, upon receiving such assurances and promises, sold its products to the dealers who gave such assurances and promises. Defendant requested similar assurances and promises from dealers, wholesale and retail, to whom it had not previously sold its products, upon opening accounts with such dealers, and many such dealers, induced by such requests, gave such assurances and promises to defendant, and defendant thereupon sold its products to such dealers. It freely sold its product to dealers with whom it had established accounts and who had not resold such products at prices other than those indicated as aforesaid.

By reason of the foregoing, wholesale dealers in the aforesaid products of the defendant in the eastern district of Virginia and throughout the United States, with few exceptions, resold, at
5 uniform prices fixed by the defendant, the aforesaid products,

sold to them by the defendant, and refused to resell such products at lower prices to retail dealers in the States where the respective wholesale dealers did business and in other States. For the same reason retail dealers in the aforesaid products of the defendant in the eastern district of Virginia and throughout the United States resold, at uniform prices fixed by the defendant, the aforesaid products, sold to them by the defendant and by the aforesaid wholesale dealers, and refused to sell such products at lower prices to the consuming public in the States where the respective retail dealers did business and in other States. Thus competition in the sale of such products, by wholesale dealers to retail dealers, and by retail dealers to the consuming public, was suppressed, and the prices of such products to the retail dealers and to the consuming public in the eastern district of Virginia and throughout the United States were maintained and enhanced.

Amongst other dealers, wholesale and retail, in the products of the defendant, in the eastern district of Virginia, who engaged in the aforesaid combination with the defendant, were John A. Gill Grocery Co. (Inc.), Dunnavent & Cook, and Gill Brothers Co., all doing business at Petersburg, Virginia, who, at that place, on or about February 6 or 7, 1917, agreed with the defendant to resell its products at the prices fixed by it as aforesaid.

And so the grand jurors, upon their oaths, do find and present that Colgate & Company, within the period of three years immediately preceding the return of this indictment, in the eastern district of Virginia, in the manner aforesaid, unlawfully engaged in a combination in restraint of trade and commerce among the several States, against the peace and dignity of the United States and contrary to the statute in such case made and provided.

RICHARD H. MANN,
United States Attorney.

6 *Endorsed.*

No. 850.

United States District Court.

UNITED STATES

vs.

COLGATE AND COMPANY.

A true bill.

L. Z. MORRIS,
Foreman.

Filed Dec. 2d, 1918.

JOSEPH P. BRADY,
Clerk.

Demurrer to indictment.

Filed December 2nd, 1918.

And the said Colgate & Company cometh into court here, and having heard the said indictment, filed the 2nd day of December, 1918, read, says:

That the same and the matters therein contained in manner and form as the same are therein stated and set forth are not sufficient in law, and that it is not bound by law to answer the same; and is ready to verify it; and for specific and special causes of demurrer to the said indictment, this defendant assigns the following objections thereto:

I.

The acts described and set forth in said indictment do not constitute an offense under the laws of the United States.

II.

The acts described and set forth in said indictment do not constitute an offense under the act entitled "An act to protect trade and commerce against unlawful restraints and monopolies," approved July 2, 1890.

III.

The said indictment does not apprise the defendant with reasonable certainty of the nature of the accusation against him.

7 IV.

The said indictment does not charge the time, place, nature, and circumstances of the offense sought to be alleged with sufficient clearness and certainty to apprise the defendant of the acts, matters and things sought to be alleged as an offense.

V.

It appears from the said indictment that the means and methods alleged as constituting such combination are not charged with sufficient certainty and particularity to apprise this defendant of the offense sought to be alleged.

VI.

It appears from said indictment that the means and methods which the defendant used were not in themselves unfair, undue, unreasonable, nor unlawful, and were not in violation of the act entitled "An act to protect trade and commerce against unlawful restraints and monopolies," approved July 2, 1890.

VII.

It appears from said indictment that the means and methods sought to be alleged as charging a crime are mere conclusions and do not allege sufficient facts to constitute an offense.

VIII.

The allegations in the indictment are so ambiguous and uncertain as to make it doubtful what offense is intended to be thereby charged.

IX.

It does not appear from said indictment that the defendant, by the means and methods alleged, intended to or could have unduly or unreasonably restrained the said trade and commerce among the several states, in violation of the act entitled "An act to protect trade and commerce against unlawful restraints and monopolies," approved July 2, 1890.

Wherefore, for want of sufficient indictment in this behalf,
8 the said defendant prays judgment and that by the court it may be dismissed and discharged from said premises in the said indictment specified.

CHARLES WESLEY DUNN,
MASON TROWBRIDGE,
Attorneys for Defendant.

STATE OF NEW JERSEY,
County of Hudson, ss:

Russell Colgate, being duly sworn, deposes and says that he is an officer, to wit, the Secretary, of Colgate & Company, defendant in the above-entitled case; that the foregoing demurrer is not interposed for delay, and that the same is true in point of fact as he is advised by counsel and verily believes.

RUSSELL COLGATE.

Subscribed and sworn to before me this 3 day of December, 1918.
[SEAL] GEORGE F. ADAMSON,
Notary Public.

We hereby certify that in our opinion the foregoing demurrer is well founded in point of law.

CHARLES WESLEY DUNN,
MASON TROWBRIDGE,
Counsel for Defendant.

Memorandum opinion of court.

Filed December 12th, 1918.

WADDILL, *District Judge:*

For reasons stated in the opinion filed on the 29th day of October, 1918, in the case of United States *v.* Colgate & Company, a corpora-

tion, No. 1294, the demurrer to this indictment is sustained in so far as it avers that the indictment fails to charge any offense under the Sherman Act, or any other law of the United States. So far
9 as the substance of this indictment is concerned, and the conduct or acts charged, the court construes this indictment as it construed the former indictment in the above mentioned opinion. The demurrer is overruled in so far as it raises questions as to the form of the indictment.

Let judgment be entered in accordance with this opinion.

Certified copy of opinion of court rendered in former case of United States vs. Colgate & Company, indictment No. 1294, and made a part of the record in this case.

Filed with memo. Opinion of the court.

On demurrer to indictment.

G. Carroll Todd, Esq., assistant to the Attorney General; Henry S. Mitchell, Esq., special assistant to the Attorney General; Richard H. Mann, Esq., United States attorney for the Eastern District of Virginia, and Hiram M. Smith, Esq., assistant United States attorney for said district, for the United States; Messrs. Charles E. Hughes, Harry K. Wolcott; Manalcus Lankford, Charles Wesley Dunn and Mason Trowbridge, for the defendant.

WADDILL, *District Judge:*

The indictment in this case charges in a single count, that the defendant is a corporation organized and existing under the laws of the State of New Jersey, and having its general offices, factories, and salesrooms at Jersey City, in said State, and there engaged in producing laundry soaps, toilet soaps, and other toilet articles,
10 and selling and shipping such products to wholesale and retail dealers in the eastern district of Virginia, and throughout the United States; that during the period of three years immediately preceding the return of this indictment, to wit: on the 18th day of December, 1917, it did knowingly and unlawfully create and engage in a combination with the aforesaid wholesale and retail dealers within said eastern district of Virginia, and throughout the United States, to procure adherence on the part of said wholesale and retail dealers in the products of the defendant, in selling such products sold to them as aforesaid, to resale prices fixed by the defendant, and to prevent such dealers from reselling at lower prices, such products sold to them as aforesaid, thus to suppress competition amongst such wholesale dealers and among such retail dealers, and that prices were thereby maintained and enhanced to the consuming public, in violation of the act of Congress entitled "An Act to protect trade and commerce against unlawful restraints and monopolies," ap-

proved July 2nd, 1890, commonly known as the Sherman Anti-Trust Act (26 Stat. L., 209).

The demurrer presents for the consideration of the court, two questions:

(1) Whether the indictment charges a criminal offence under the act referred to; and

(2) If so, are the averments of the indictment made with the accuracy, definiteness and sufficiency that the law requires in setting forth a criminal charge, in order that the defendant may be advised of just what the offence is he is charged with.

Considering the first proposition, the Government insists that while the indictment does not descend into all the particulars of the alleged crime, that it does specify the means by which the combination was formed and carried out, sufficiently to show the offence charged, namely: (1) Distributing telegrams, lists, etc., of uniform resale prices; (2) urging the dealers to adhere to those prices;
11 (3) informing them that defendant would refuse to sell to those who did not so adhere; (4) requesting them to inform it of sales at other prices; (5) discovering and investigating sales of that character; (6) placing the names of dealers who made such sales on "suspended lists"; (7) requesting those dealers to give assurances and promises to adhere in future to the indicated prices; (8) refusing to sell to those dealers until they gave such assurances and promises; (9) selling to such dealers upon their giving such assurances and promises; (10) requesting such assurances and promises from new dealers when opening accounts; and (11) freely selling to those dealers who observed the indicated prices.

Defendant's counsel urge that many of the acts alleged are immaterial, and that when the charge is analysed, so far as the manufacturer's conduct is concerned, it amounts only to this, that "a manufacturer who simply declines to sell to dealers who fail to charge fair and reasonable resale prices, indicated by the manufacturer, which are of vital importance to the industry and trade, is subject to criminal prosecution as a violator of the Sherman Act, in case it appears that dealers generally resell at such fair and reasonable prices."

The Government contends that the offence charged does not consist in refusing to sell to price cutters, but in forming an unlawful combination to procure adherence to universal resale prices, and that the essential difference in law between the proposition that it is unlawful for a manufacturer to combine with dealers in its product, for the purpose of maintaining resale prices fixed by him, and that of the refusal of a manufacturer to sell to dealers who fail to observe resale prices indicated by him, is at once apparent.

Considering the case from the Government's standpoint, namely, that of a combination on the part of the defendant with its retail customers, to procure adherence to its uniform resale prices, the omissions from the indictment, as applicable to the charge of
12 combination and conspiracy in restraint of trade, at once be-

come apparent. No suggestion is made that the conduct complained of was a monopoly, or was an attempt to monopolize the trade in toilet and laundry soaps, and other articles referred to; that the defendant was in a position to effect such purpose; that its business bore any appreciable proportion to the general extent of the business in question, or that the defendant was under any special duty or obligation to the public, not applicable to all citizens alike in other private businesses to manufacture its products. There is no charge that the defendant acted in what it did, in concert with other manufacturers of soaps, or with other than its own customers separately, or that the prices sought to be maintained were other than fair; nor was any request made, or assurance given that customers who gave the assurance, would in turn require like assurance from persons to whom they sold, or that buyers giving the assurances, would also stipulate to buy only from the defendant, or sell only to customers selected by it; and no charge is made that any contract was entered into by and on the part of the defendant, and any of its retail customers, in restraint of interstate trade and commerce, the averment being, in effect, that it knowingly and unlawfully created and engaged in a combination with certain of its wholesale and retail customers, to procure adherence on their part, in the sale of its products sold to them, to resale prices fixed by the defendant; and that, in connection therewith, such wholesale and retail customers gave assurances and promises, which resulted in the enhancement and maintenance of such prices, and in the suppression of competition by wholesale dealers and retail dealers, and by the latter to the consuming public.

It will be observed that the indictment is solely against the defendant manufacturer, and not against either a wholesaler or retailer with whom it is alleged the combination was made.

No citation of authority is furnished the court of any crim-
13 inal case involving the state of facts charged here, nor in support of the indictment against only one person to the unlawful combination. The Government cites numerous cases to sustain their view of the case, among them the following:

United States v. Addyston Pipe & Steel Co., 175 U. S., 211;
Bobbs-Merrill Co. v. Straus, 210 U. S., 339;
Dr. Miles Medicine Co. v. Park & Sons, 220 U. S., 373;
United States v. American Tobacco Co., 221 U. S., 106, 181;
Bauer v. O'Donnell, 229 U. S., 1;
Eastern States Lumber Ass'n v. United States, 234 U. S., 600;
Straus v. Victor Talking Machine Co., 243 U. S., 490;
Thompson v. Cayser, 243 U. S., 665;
Boston Store of Chicago v. American Graphophone Co., 246 U. S., 8;
United States v. Addyston Pipe Co., 85 F., 271;
Thompson v. Union Castle Mail S. S. Co., 167 F., 251, 253;
United States v. Kellogg Corn Flake Co., 222 F., 725;

United States v U. S. Steel Corporation, 223 F., 55;
Frey & Sons v. Welch Grape Juice Co., 240 F., 114, 117.

These are all civil cases, in one form or another, involving the effects of acts alleged to be violative of the laws of commerce and trade, and mainly growing out of breaches of contracts alleged to have been unlawfully entered into, either under patent or copyright laws arising in connection with unfair competition, or because of alleged violation of contracts entered into between litigants in respect to their rights or what they conceived to be their rights, in matters of trade relations, the subject of interstate commerce. No review of these several cases will be atempted; they are referred to generally in the case relied on by the Government, of Boston Store of Chicago v. American Graphophone Company et al., 246 U. S., 8, and to that decision and the review of the cases by the Supreme Court, reference is specially made, as it is believed, while bearing on the general subject under consideration, they do not, because of their own peculiar facts, materially affect this case.

In the view taken by the court, the indictment here fairly presents the question of whether a manufacturer of products and shipped in interstate trade, is subject to criminal prosecution under the Sherman Act, for entering into a combination in restraint of such trade and commerce, because he agrees with his wholesale and retail customers, upon prices claimed by them to be fair and reasonable, at which the same may be resold, and declines to sell his products
14 to those who will not thus stipulate as to prices. This, at the threshold, presents for the determination of the court, how far one may control and dispose of his own property; that is to say, whether there is any limitation thereon, if he proceeds in respect thereto in a lawful and bona fide manner. That he may not do so, fraudulently, collusively, and in unlawful combination with others, may be conceded. (Eastern States Lumber Association v. The United States, 234 U. S., 600, 614.) But it by no means follows that being a manufacturer of a given article, he may not, without incurring any criminal liability, refuse absolutely to sell the same at any price, or to sell at a named sum to a customer, with the understanding that such customer will resell only at an agreed price between them, and should the customer not observe the understanding as to retail prices, exercise his undoubted right to decline further to deal with such person.

Authorities to sustain this view might be cited almost without number, and only some of the Federal decisions bearing strictly thereon will be mentioned. In an early decision construing the Sherman Act, rendered long before the Clayton Act was passed, and which latter act is not involved here (Transatlantic Missouri R. R. case, 166 U. S., 326) Mr. Justice Peckham, in distinguishing between a public carrier or calling, and a business like the one here involved, said:

"The trader or manufacturer, on the other hand, carries on an entirely private business, and can sell to whom he pleases; he may

charge different prices for the same article to different individuals; he may charge as much as he can get for the article in which he deals, whether the price be reasonable or unreasonable; he may make such discrimination in his business as he chooses, and he may cease to do any business whenever his choice lies in that direction."

15 In Northern Securities Co. v. The United States, 193 U. S., 361, Mr. Justice Brewer, speaking for the court, said:

"Further, the general language of the act is also limited by the power which each individual has to manage his own property and determine the place and manner of its investment. Freedom of action in these respects is among the inalienable rights of every citizen."

In the Standard Oil Co. v. The United States, 221 U. S., 56, Chief Justice White, speaking for the court, said:

"From the review just made it clearly results that outside of the restrictions resulting from the want of power in an individual to voluntarily and unreasonably restrain his right to carry on his trade or business and outside of the want of right to restrain the free course of trade by contracts or acts which implied a wrongful purpose, freedom to contract and to abstain from contracting and to exercise every reasonable right incident thereto became the rule in the English law."

In United States v. American Tobacco Co., 221 U. S., 180, the Chief Justice, speaking for the court, said:

"Indeed, the necessity for not departing in this case from the standard of the rule of reason which is universal in its application is so plainly required in order to give effect to the remedial purposes which the act under consideration contemplates, and to prevent that act from destroying all liberty of contract and all substantial right to trade, and thus causing the act to be at war with itself by annihilating the fundamental right of freedom to trade which, on the very face of the act, it was enacted to preserve, is illustrated by the record before us."

In Dueber Watch Case Co. v. Howard Watch &c. Co., 66 Fed., 646 (C. C. A. 2d Circuit), the court said:

"An individual manufacturer or trader may surely buy from or sell to whom he pleases, and may equally refuse to buy from or to sell to any one with whom he thinks it will promote his business interests to refuse to trade."

16 In Union Pacific Coal Co. v. United States, 173 Fed., 739 C. C. A. 8th Circuit), the court said:

"There was no law which required the coal company to sell its coal to Sharp on the terms which he prescribed, or to sell it to him at all. It had the undoubted right to refuse to sell its coal at any price. It had the right to fix the prices and the terms on which it would sell it, to select its customers, to sell to some and to refuse to sell to others, to sell to some at one price and on one set of terms, and to sell to others at another price and on a different set of terms. There is nothing in the act of July 2, 1890, which deprived the coal company of any of these common rights of the owners and venders of

merchandise, and if it did not combine with some other person or persons so to do its refusal to sell its coal to Sharp unless he would withdraw his advertisement of a reduction in his retail price of it was not the violation of the Sherman Anti-Trust Act charged in the indictment."

The case of Atlantic & Pacific Tea Co. v. Cream of Wheat Co., 224 Fed., 565, on appeal, 227 Fed., 46 (C. C. A. 2d circuit), will be found a comprehensive and able discussion of the right of manufacturers to sell their wares or not; to fix retail prices or to decline dealing with any particular retailer. To these cases, and the authorities therein cited, and especially to the able discussion of Judge Hough on pages 572, 3, 4, and 5 of the first report, 224 Fed. 565, supra, attention is especially drawn.

The pregnant fact should never be lost sight of, that no averment is made of any contract or agreement having been entered into whereby the defendant, the manufacturer, and his customers, bound themselves to enhance and maintain prices, further than is involved in the circumstance that the manufacturer, the defendant here,
refused to sell to persons who would not resell at indicated
17 prices, and that certain retailers made purchases on this condition, whereas, inferentially, others declined so to do. No suggestion is made that the defendant, the manufacturer, attempted to reserve or retain any interest in the goods sold, or to restrain the vendee in his right to barter and sell the same without restriction. The retailer, after buying, could if he chose, give away his purchase, or sell it at any price he saw fit, or not sell it at all, his course in these respects being affected only by the fact that he might by his action, incur the displeasure of the manufacturer who could refuse to make further sales to him, as he had the undoubted right to do. There is no charge that the retailers themselves entered into any combination or agreement with each other, or that the defendant acted other than with his customers individually. It can not be said that the defendant has no interests in the prices at which its goods shall be sold. On the contrary, it had a vital interest, in so far as cutting the same would tend to demoralize the trade and might have been more injuriously affected by the result of this disorganization, that the public would be benefited by a temporary reduction in the prices of its products. The sale of the defendant's particular soaps, can not be said to be a necessity, or that the same bears a large proportion of the entire manufacture of soaps of the kind and grade involved. The successful prosecution of the defendant's business, and the continued use of its soap by the public, depend upon its ability to find and maintain a market for its output. Price cutting would almost inevitably result in reducing the defendant's business in a given community, to only those engaged in that practice, and deprive it of the patronage of the great body of wholesalers and retailers engaged in what they believed to be a fair and legitimate conduct of their business. It by no means follows that, in the end, the public would be benefited, as the price cutter could easily raise prices after demoralization

18 caused by this conduct, had been brought about, and profit individually by so doing. What the public is interested in is that only reasonable and fair prices shall be charged for what it buys, and it is not claimed that the defendant's manner of conducting its business has otherwise resulted.

The indictment should set forth such a state of facts as to make it clear that a manufacturer, engaged in what was believed to be the lawful conduct of its business, has violated some known law, before it can be haled into court to answer the charge of the commission of a crime.

In the instant case the court's conclusion is that the averments of the indictment, when carefully considered and read in the light of the defendant's inalienable right to deal lawfully with its own property, the handling, trading in and disposing of which is made the subject of this indictment, fail to charge any offense, either in restraint of trade and commerce, under the Sherman Act, or any other law of the United States.

Second.

This brings us to the consideration of the form of the indictment. Ordinarily, this would be deemed immaterial, the indictment failing to charge a criminal offence, as held by the court; but it will be perhaps better, if the case is to be reviewed by the appellate court, to have the sufficiency of the indictment also determined.

The indictment, it will be observed, is only against a manufacturer alleged to be in combination with wholesale and retail dealers, and not against the wholesale and retail dealers referred to. It is not averred that the names of the latter were unknown to the grand jury, and no reason is given why they were not made parties defendant. Assuming, but without deciding, that it is permissible to indict only one party in an unlawful combination, it does not seem to the court that the alleged offence with which the defendant is charged is stated and set forth with that degree of accuracy

19 and certainty required in criminal pleading. The facts in no particular combination, against any one set of wholesalers or retailers alleged to have been in combination with the defendant, are given, but merely that assurances and promises were made by the wholesale and retail dealers doing business with defendant throughout the United States, and the Eastern District of Virginia, that its products would not be resold at retail other than at prices fixed by the defendant. This language is too geenral, and the defendant has the right at least to be informed of some one particular infraction of the law that it is claimed it has committed. It would be impossible to intelligently prepare a defence or answer to this indictment as it involves the defendant's dealings with its wholesale and retail customers, throughout the territory named, covering a period of three years. This is too indefinite, and there ought to be no difficulty, if such condition exist, as set forth in the indictment,

to name some specific instance of the alleged combination, and state the same in detail.

The demurrer will be sustained, and the indictment quashed.

October 29, 1918.

A copy, teste.

[SEAL.]

JOSEPH P. BRADY, *Clerk.*
By D. ARTHUR KELSEY, *Dy. Clerk.*

Certified copy of indictment in former case of United States vs. Colgate & Company, indictment No. 1294, and made a part of the record in this case.

Filed with Memo. Opinion of the court.

The grand jurors of the United States of America, duly impaneled, sworn and charged to inquire in and for the Eastern District of
20 Virginia, and so inquiring, upon their oaths, do find and present as follows:

Throughout the period of three years immediately preceding the return of this indictment Colgate and Company (hereinafter called the defendant) was a corporation organized and existing under the laws of the State of New Jersey, having its general offices, factories, and salesrooms at Jersey City in said State, and there engaged in producing laundry soaps, toilet soaps, and other toilet articles and in selling and shipping such products to wholesale and retail dealers in the Eastern District of Virginia and throughout the United States Throughout the said period of time the said wholesale dealers respectively resold and reshipped large quantities of such products, received by them from the defendant, to retail dealers both within and without the respective States in which the wholesale dealers so received such products. Throughout the said period of time the aforesaid retail dealers respectively resold and transported and delivered large quantities of such products, received by them from the said wholesale dealers and from the defendant, to the consuming public both within and without the respective States where the said retail dealers so received such products. The above-described sales, resales, shipments and deliveries of the products of the defendant constituted trade and commerce among the several States of the United States.

During the aforesaid period of time, within the said Eastern District of Virginia and throughout the United States, the defendant knowingly and unlawfully created and engaged in a combination with the aforesaid wholesale and retail dealers, in the Eastern District of Virginia and throughout the United States, to procure adherence on the part of wholesale and retail dealers in the products of the defendant, in reselling such products sold to them as aforesaid, to resale prices fixed by the defendant, and to prevent such dealers from reselling at lower prices such products, sold to them as

aforesaid, and thus to suppress competition amongst such
21 wholesale dealers and amongst such retail dealers, in restraint of the aforesaid trade and commerce among the several States, in violation of the act entitled "An act to protect trade and commerce against unlawful restraints and monopolies," approved July 2, 1890.

That is to say, during the aforesaid period of time, in the said Eastern District of Virginia and throughout the United States, with the purpose and effect of inducing wholesale and retail dealers in the products of the defendant, when reselling such products, sold to them as aforesaid, to adhere to resale prices fixed by the defendant, and of preventing such dealers from reselling at lower prices such products, sold to them as aforesaid, and of suppressing competition amongst such wholesale dealers and amongst such retail dealers in reselling such products, the defendant did the things hereinafter alleged to have been done by it, and, with the same purpose and effect, induced many such dealers, in the said Eastern District of Virginia and throughout the United States, to do the things hereinafter alleged to have been done by them.

The defendant distributed amongst the wholesale and retail dealers in its products letters, telegrams, circulars, and lists showing uniform wholesale prices and uniform retail prices to be charged for its aforesaid products. It urged the said wholesale and retail dealers, by letters and circulars and orally, to adhere to the prices thus indicated in reselling such products. It informed the said wholesale and retail dealers, by letters and circulars and orally, that it would refuse to sell its products to any dealer who did not resell such products at the prices thus indicated. It requested the said wholesale and retail dealers, orally and by letters, to inform it of sales by dealers, at wholesale and retail, at prices other than those indicated as aforesaid. Induced by such requests, many such dealers informed defendant of sales by other dealers at prices other than those indicated as afore-
said. Defendant thus secured from many such dealers infor-
22 mation as to many such sales. It also investigated and discovered, through its representatives, agents, and employes, other sales by dealers in its products, at wholesale and retail, at prices other than those indicated as aforesaid. It placed the names of dealers, wholesale and retail, whom it ascertained to have made such sales at prices other than those indicated as aforesaid on lists which it called "Suspended Lists." It requested the dealers whom it ascertained to have made such sales to give it assurances and promises that they would in future resell its products at the prices which it indicated. It uniformly refused to sell its products to dealers who had made sales at prices other than those indicated as aforesaid until such dealers gave assurances and promises that they would thereafter resell its products at the prices which it indicated. Induced by such requests and by such refusals, many dealers, wholesale and retail, who had sold such products at prices other than those indicated as aforesaid gave to defendant assurances and promises that they would

thereafter resell such products at the prices indicated by defendant. Defendant thus procured many such assurances and promises from dealers in the Eastern District of Virginia and throughout the United States and, upon receiving such assurances and promises, sold its products to the dealers who gave such assurances and promises. Defendant requested similar assurances and promises from dealers, wholesale and retail, to whom it had not previously sold its products, upon opening account with such dealers, any many such dealers, induced by such requests, gave such assurances and promises to defendant, and defendant thereupon sold its products to such dealers. It freely sold its products to dealers with whom it had established accounts and who had not resold such products at prices other than those indicated as aforesaid.

By reason of the foregoing, wholesale dealers in the aforesaid products of the defendant in the Eastern District of Virginia
23 and throughout the United States, with few exceptions, resold, at uniform prices fixed by the defendant, the aforesaid products, sold to them by the defendant, and refused to resell such products at lower prices to retail dealers in the States where the respective wholesale dealers did business and in other States. For the same reason retail dealers in the aforesaid products of the defendant in the Eastern District of Virginia and throughout the United States resold, at uniform prices fixed by the defendant, the aforesaid products, sold to them by the defendant and by the aforesaid wholesale dealers, and refused to sell such products at lower prices to the consuming public in the States where the respective retail dealers did business and in other States. Thus competition in the sale of such products, by wholesale dealers to retail dealers, and by retail dealers to the consuming public, was suppressed, and the prices of such products to the retail dealers and to the consuming public in the Eastern District of Virginia and throughout the United States were maintained and enhanced.

And so the grand jurors, upon their oaths, do find and present that Colgate and Company, within the period of three years immediately preceding the return of this indictment, in the Eastern District of Virginia, in the manner aforesaid, unlawfully engaged in a combination in restraint of trade and commerce among the several States, against the peace and dignity of the United States and contrary to the statute in such case made and provided.

RICHARD H. MANN,
United States Attorney.

A copy teste:
[SEAL.]

JOSEPH P. BRADY, *Clerk.*
By D. ARTHUR KELSEY, *Deputy Clerk.*

Endorsed.

No. 850.

No. 1294.

In the United States District Court, Eastern District of Virginia.

UNITED STATES *vs.* COLGATE & COMPANY.

24 *Indictment.*

Filed this 12th day of Decr., 1918.

R. E. POWERS, *Deputy Clerk.*

Order sustaining demurrer to indictment except as to the form of the same and dismissing and removing case from the docket.

Entered and filed December 12th, 1918.

This day came as well the United States, by its attorney, as the defendant by its counsel, and thereupon the defendant filed its demurrer in writing to the indictment in this case, in which the Government joined; whereupon the questions arising upon the demurrer being argued and fully considered by the court, it is, for reasons stated in writing this day filed, ordered that the demurrer be and the same is hereby sustained in so far as it avers that the indictment fails to charge any offence under the Sherman Act, or any other law of the United States, that is to say, as to the substance of the indictment and the conduct and acts charged therein; and the said demurrer is overruled so far as it raises questions as to the form of the indictment.

It is further ordered that a certified copy of the original indictment in case No. 1294 at Norfolk, and of the opinion filed therein on the 29th day of October, 1918, be, and the same are hereby, made parts of the record in this case. And this case is hereby dismissed and removed from the docket.

EDMUND WADDILL,
United States District Judge.

RICHMOND, VA.,
Decr. 12, 1918.

25 *Bill of exceptions.*

Filed January 10th, 1919.

In the fall term of 1918, at Richmond, Virginia, came the United States of America into the said court and charged the said defendant, in a certain indictment, returned and filed on December 2, 1918, hereto

annexed, with engaging in a combination to restrain trade, in violation of the act of Congress entitled "An act to protect trade and commerce against unlawful restraints and monopolies," approved July 2, 1890 (26 Stat., 209). The said defendant demurred to said indictment, as in the demurrer hereto annexed.

At a session of said court held at Richmond, Virginia, the said demurrer was considered by the Honorable Edmund Waddill, jr., judge of said court, who, on December 12, 1918, rendered an opinion or decision, hereunto annexed, sustaining the said demurrer, for the reasons stated in a former opinion, hereto annexed, filed on the 29th day of October, 1918, in the former case of United States v. Colgate & Company, a corporation, No. 1294. The said former opinion sustained a demurrer to a former indictment returned and filed at Norfolk, Virginia, on December 18, 1917, a copy of which is hereto annexed. Pursuant to the said decision or opinion rendered in the present case, the annexed order or judgment was entered in this court on December 12, 1918, sustaining the demurrer to the present indictment.

Thereafter the attorney for the said United States did tender this bill of exceptions to the said opinion or decision and order or judgment, in the present case, to be signed and sealed by the judge aforesaid, who did put his seal and signature hereto this 10th day of January, 1919.

[SEAL.] EDMUND WADDILL, JR.,
District Judge.

26 In the District Court of the United States, Eastern District of Virginia.

Fall term, 1918.

Indictment.

The grand jurors of the United States of America, duly impaneled, sworn and charged to inquire in and for the eastern district of Virginia, and so inquiring, upon their oaths, do find and present as follows:

Throughout the period of three years immediately preceding the return of this indictment Colgate & Company (hereinafter called the defendant) was a corporation organized and existing under the laws of the State of New Jersey, having its general offices, factories, and salesrooms at Jersey City in said State, and there engaged in producing laundry soaps, toilet soaps, and other toilet articles, and in selling and shipping such products to wholesale and retail dealers in the eastern district of Virginia and throughout the United States. Throughout the said period of time the said wholesale dealers, respectively, resold and reshipped large quantities of such products, received by them from the defendant, to retail dealers both within and without the respective States in which the wholesale dealers so received such products. Throughout the said period of time the

aforesaid retail dealers respectively resold and transported and delivered large quantities of such products, received by them from the said wholesale dealers and from the defendant, to the consuming public both within and without the respective States where the said retail dealers so received such products. The above-described sales, resales, shipments, and deliveries of the products of the defendant constituted trade and commerce among the several States of the United States.

During the aforesaid period of time, within the said eastern district of Virginia and throughout the United States, the defendant knowingly and unlawfully created and engaged in a combination with said wholesale and retail dealers, in the eastern district of Virginia and throughout the United States, for the purpose and with the effect of procuring adherence on the part of such dealers (in reselling such products sold to them as aforesaid) to resale prices fixed by the defendant, and of preventing such dealers from reselling such products at lower prices, thus suppressing competition amongst such wholesale dealers and amongst such retail dealers, in restraint of the aforesaid trade and commerce among the several States, in violation of the act entitled "An act to protect trade and commerce against unlawful restraints and monopolies," approved July 2, 1890.

Pursuant to the aforesaid combination and in furtherance of its objects the following things were done: Defendant distributed amongst the wholesale and retail dealers in its products letters, telegrams, circulars, and lists showing uniform wholesale prices and uniform retail prices to be charged for its aforesaid products. It urged the said wholesale and retail dealers, by letters and circulars and orally, to adhere to the prices thus indicated in reselling such products. It informed the said wholesale and retail dealers, by letters and circulars and orally, that it would refuse to sell its products to any dealer who did not resell such products at the prices thus indicated. It requested the said wholesale and retail dealers, orally and by letters, to inform it of sales by dealers, at wholesale and retail, at prices other than those indicated as aforesaid. Induced by such requests, many such dealers informed defendant of sales by other dealers at prices other than those indicated as aforesaid. Defendant thus secured from many such dealers information as to many such sales. It also investigated and discovered, through its representatives, agents, and employees, other sales by dealers in its products, at wholesale and retail, at prices other than those indicated as aforesaid. It placed the names of dealers, wholesale and retail, whom it ascertained to have made such sales at prices other than those indicated as aforesaid, on lists which it called "Suspended lists." It requested the dealers whom it ascertained to have made such sales to give it assurances and promises that they would in future resell its products at the prices which it indicated. It uniformly refused to sell its products to dealers who had made sales at prices other than those indicated as aforesaid until such dealers

gave assurances and promises that they would thereafter resell its products at the prices which it indicated. Induced by such requests and by such refusals, many dealers, wholesale and retail, who had sold such products at prices other than those indicated as aforesaid, gave to defendant assurances and promises that they would thereafter resell such products at the prices indicated by defendant. Defendant thus procured many such assurances and promises from dealers in the eastern district of Virginia and throughout the United States, and, upon receiving such assurances and promises, sold its products to the dealers who gave such assurances and promises. Defendant requested similar assurances and promises from dealers, wholesale and retail, to whom it had not previously sold its products, upon opening accounts with such dealers, and many such dealers, induced by such requests, gave assurances and promises to defendant, and defendant thereupon sold its products to such dealers. It freely sold its products to dealers with whom it had established accounts and who had not resold such products at prices other than those indicated as aforesaid.

By reason of the foregoing, wholesale dealers in the aforesaid products of the defendant in the eastern district of Virginia and throughout the United States, with few exceptions, resold, at
29 uniform prices fixed by the defendant, the aforesaid products, sold to them by the defendant, and refused to resell such products at lower prices to retail dealers in the States where the respective wholesale dealers did business and in other States. For the same reason retail dealers in the aforesaid products of the defendant in the eastern district of Virginia and throughout the United States resold, at uniform prices fixed by the defendant, the aforesaid products, sold to them by the defendant and by the aforesaid wholesale dealers, and refused to sell such products at lower prices to the consuming public in the States where the respective retail dealers did business and in other States. Thus competition in the sale of such products, by wholesale dealers to retail dealers, and by retail dealers to the consuming public, was suppressed, and the prices of such products to the retail dealers and to the consuming public in the eastern district of Virginia and throughout the United States were maintained and enhanced.

Amongst other dealers, wholesale and retail, in the products of the defendant, in the eastern district of Virginia, who engaged in the aforesaid combination with the defendant, were John A. Gill Grocery Co. (Inc.), Dunnavent & Cook, and Gill Brothers Co., all doing business at Petersburg, Virginia, who, at that place, on or about February 6 or 7, 1917, agreed with the defendant to resell its products at the prices fixed by it as aforesaid.

And so the grand jurors, upon their oaths, do find and present that Colgate & Company, within the period of three years immediately preceding the return of this indictment, in the eastern district of Virginia, in the manner aforesaid. unlawfully engaged in a

combination in restraint of trade and commerce among the several States, against the peace and dignity of the United States and contrary to the statute in such case made and provided.

RICHARD H. MANN,
United States Attorney.

30 Indorsements.

A true bill.

(Signed) L. Z. MORRIS, *Foreman.*

Filed Dec. 2nd, 1918.

(Signed) JOSEPH P. BRADY, *Clerk.*

United States District Court, Eastern District of Virginia.

UNITED STATES OF AMERICA, PLAINTIFF, *against* COLGATE & COMPANY, DEFENDANT.	Demurrer to indictment.

And the said Colgate & Company cometh into court here, and having heard the said indictment, filed the 2nd day of December, 1918, read, says:

That the same and the matters therein contained in manner and form as the same are therein stated and set forth are not sufficient in law, and that it is not bound by law to answer the same; and is ready to verify it; and for specific and special causes of demurrer to the said indictment, this defendant assigns the following objections thereto:

I.

The acts described and set forth in said indictment do not constitute an offense under the laws of the United States.

II.

The acts described and set forth in said indictment do not constitute an offense under the act entitled "An act to protect trade and commerce against unlawful restraints and monopolies," approved July 2, 1890.

III.

The said indictment does not apprise the defendant with reasonable certainty of the nature of the accusation against him.

31 IV.

The said indictment does not charge the time, place, nature, and circumstances of the offense sought to be alleged with sufficient clearness and certainty to apprise the defendant of the acts, matters, and things sought to be alleged as an offense.

V.

It appears from the said indictment that the means and methods alleged as constituting such combination are not charged with sufficient certainty and particularity to apprise this defendant of the offense sought to be alleged.

VI.

It appears from said indictment that the means and methods which the defendant used were not in themselves unfair, undue, unreasonable, nor unlawful, and were not in violation of the act entitled "An act to protect trade and commerce against unlawful restraints and monopolies," approved July 2, 1890.

VII.

It appears from said indictment that the means and methods sought to be alleged as charging a crime are mere conclusions and do not allege sufficient facts to constitute an offense.

VIII.

The allegations in the indictment are so ambiguous and uncertain as to make it doubtful what offense is intended to be thereby charged.

IX.

It does not appear from said indictment that the defendant, by the means and methods alleged, intended to or could have unduly or unreasonably restrained the said trade and commerce among the several States, in violation of the act entitled "An act to protect trade and commerce against unlawful restraints and monopolies," approved July 2, 1890.

32 Wherefore, for want of sufficient indictment in this behalf, the said defendant prays judgment and that by the court it may be dismissed and discharged from said premises in the said indictment specified.

CHARLES WESLEY DUNN,
MASON TROWBRIDGE,
Attorneys for defendant.

STATE OF NEW JERSEY,
County of Hudson, ss:

Russell Colgate, being duly sworn, deposes and says that he is an officer, to wit, the secretary, of Colgate & Company, defendant in the above-entitled case; that the foregoing demurrer is not interposed for delay, and that the same is true in point of fact as he is advised by counsel and verily believes.

RUSSELL COLGATE.

Subscribed and sworn to before me this 3 day of December, 1918.
[SEAL.] GEORGE F. ADAMSON,
Notary Public.

We hereby certify that in our opinion the foregoing demurrer is well founded in point of law.

CHARLES WESLEY DUNN,
MASON TROWBRIDGE,
Counsel for defendant.

In the United States District Court for the Eastern District of Virginia.

THE UNITED STATES
v. } Indictment No. 850.
COLGATE & COMPANY, A CORPORATION.

WADDILL, *District Judge:*

For reasons stated in the opinion filed on the 29th day of October, 1918, in the case of United States v. Colgate & Company, a corporation, No. 1294, the demurrer to this indictment is sustained
33 in so far as it avers that the indictment fails to charge any offense under the Sherman Act, or any other law of the United States. So far as the substance of this indictment is concerned, and the conduct or acts charged, I construe this indictment as I construed the former indictment in the above-mentioned opinion. The demurrer is overruled in so far as it raises questions as to the form of the indictment.

Let judgment be entered in accordance with this opinion.

In the United States District Court for the Eastern District of Virginia.

UNITED STATES OF AMERICA,
vs.
COLGATE & COMPANY, A CORPORATION.

On demurrer to indictment.

G. Carroll Todd, Esq., assistant to the Attorney General; Henry S. Mitchell, Esq., special assistant to the Attorney General; Richard

H. Mann, Esq., United States attorney for the Eastern District of Virginia, and Hiram M. Smith, Esq., assistant United States attorney for said district, for the United States; Messrs. Charles E. Hughes, Harry K. Wolcott, Manalcus Lankford, Charles Wesley Dunn, and Mason Trowbridge for the defendant.

WADDILL, *District Judge:*

The indictment in this case charges in a single count that the defendant is a corporation organized and existing under the laws of the State of New Jersey, and having its general offices, factories, and salesrooms at Jersey City, in said State, and there engaged in producing laundry soaps, toilet soaps, and other toilet articles,
34 and selling and shipping such products to wholesale and retail dealers in the eastern district of Virginia, and throughout the United States; that during the period of three years immediately preceding the return of this indictment, to wit: on the 18th day of December, 1917, it did knowingly and unlawfully create and engage in a combination with the aforesaid wholesale and retail dealers within said eastern district of Virginia, and throughout the United States, to procure adherence on the part of said wholesale and retail dealers in the products of the defendant, in selling such products sold to them as aforesaid, to resale prices fixed by the defendant, and to prevent such dealers from reselling at lower prices such products sold to them as aforesaid, thus to suppress competition amongst such wholesale dealers and among such retail dealers, and that prices were thereby maintained and enhanced to the consuming public, in violation of the act of Congress entitled "An act to protect trade and commerce against unlawful restraints and monopolies," approved July 2nd, 1890, commonly known as the Sherman Anti-Trust Act (26 Stat. L., 209).

The demurrer presents for the consideration of the court two questions:

(1) Whether the indictment charges a criminal offence under the act referred to; and

(2) If so, are the averments of the indictment made with the accuracy, definiteness and sufficiency that the law requires in setting forth a criminal charge, in order that the defendant may be advised of just what the offence is he is charged with.

Considering the first proposition, the Government insists that while the indictment does not descend into all the particulars of the alleged crime, that it does specify the means by which the combination was formed and carried out sufficiently to show the offence charged, namely: (1) Distributing telegrams, lists, etc., of uniform resale prices; (2) urging the dealers to adhere to those prices;
35 (3) informing them that defendant would refuse to sell to those who did not so adhere; (4) requesting them to inform it of sales at other prices; (5) discovering and investigating sales of that character; (6) placing the names of dealers who made such sales on "suspended lists"; (7) requesting those dealers to give assur-

ances and promises to adhere in future to the indicated prices; (8) refusing to sell to those dealers until they gave such assurances and promises; (9) selling to such dealers upon their giving such assurances and promises; (10) requesting such assurances and promises from new dealers when opening accounts; and (11) freely selling to those dealers who observed the indicated prices.

Defendant's counsel urge that many of the acts alleged are immaterial, and that when the charge is analysed, so far as the manufacturer's conduct is concerned, it amounts only to this, that "a manufacturer who simply declines to sell to dealers who fail to charge fair and reasonable resale prices, indicated by the manufacturer, which are of vital importance to the industry and trade, is subject to criminal prosecution as a violator of the Sherman Act, in case it appears that dealers generally resell at such fair and reasonable prices."

The Government contends that the offence charged does not consist in refusing to sell to price cutters, but in forming an unlawful combination to procure adherence to universal resale prices, and that the essential difference in law between the proposition that it is unlawful for a manufacturer to combine with dealers in its product for the purpose of maintaining resale prices fixed by him, and that of the refusal of a manufacturer to sell to dealers who fail to observe resale prices indicated by him, is at once apparent.

Considering the case from the Government's standpoint, namely, that of a combination on the part of the defendant with its retail customers to procure adherence to its uniform resale prices, the omissions from the indictment, as applicable to the charge of
36 combination and conspiracy in restraint of trade, at once become apparent. No suggestion is made that the conduct complained of was a monopoly, or was an attempt to monopolize the trade in toilet and laundry soaps, and other articles referred to; that the defendant was in a position to effect such purpose; that its business bore any appreciable proportion to the general extent of the business in question, or that the defendant was under any special duty or obligation to the public not applicable to all citizens alike in other private businesses to manufacture its products. There is no charge that the defendant acted in what it did in concert with other manufacturers of soaps, or with other than its own customers separately, or that the prices sought to be maintained were other than fair; nor was any request made or assurance given that customers who gave the assurance would in turn require like assurance from persons to whom they sold, or that buyers giving the assurances would also stipulate to buy only from the defendant, or sell only to customers selected by it; and no charge is made that any contract was entered into by and on the part of the defendant, and any of its retail customers, in restraint of interstate trade and commerce, the averment being, in effect, that it knowingly and unlawfully created and engaged in a combination with certain of its wholesale and retail customers to procure adherence on their part, in the sale of its prod-

ucts sold to them, to resale prices fixed by the defendant; and that, in connection therewith, such wholesale and retail customers gave assurances and promises which resulted in the enhancement and maintenance of such prices, and in the suppression of competition by wholesale dealers and retail dealers, and by the latter to the consuming public.

It will be observed that the indictment is solely against the defendant manufacturer, and not against either a wholesaler or retailer with whom it is alleged the combination was made.

No citation of authority is furnished the court of any criminal case involving the state of facts charged here, nor in support of the indictment against only one person to the unlawful combination. The Government cites numerous cases to sustain their view of the case, among them the following:

United States v. Addyston Pipe & Steel Co., 175 U. S., 211;
Bobbs-Merrill Co. v. Straus, 210 U. S., 339;
Dr. Miles Medicine Co. v. Park & Sons, 220 U. S., 373;
United States v. American Tobacco Co., 221 U. S., 106, 181;
Bauer v. O'Donnell, 229 U. S., 1;
Eastern States Lumber Ass'n v. United States, 234 U. S., 600;
Straus v. Victor Talking Machine Co., 243 U. S., 490;
Thompson v. Cayser, 243 U. S., 665;
Boston Store of Chicago v. American Graphophone Co., 246 U. S., 8;
United States v. Addyston Pipe Co., 85 F., 271;
Thompson v. Union Castle Mail S. S. Co., 167 F., 251, 253;
United States v. Kellogg Corn Flake Co., 222 F., 725;
United States v. U. S. Steel Corporation, 223 F., 55;
Frey & Sons v. Welch Grape Juice Co., 240 F., 114, 117.

These are all civil cases, in one form or another, involving the effects of acts alleged to be violative of the laws of commerce and trade, and mainly growing out of breaches of contracts alleged to have been unlawfully entered into, either under patent or copyright laws arising in connection with unfair competition, or because of alleged violation of contracts entered into between litigants in respect to their rights, or what they conceived to be their rights, in matters of trade relations, the subject of interstate commerce. No review of these several cases will be attempted; they are referred to generally in the case relied on by the Government, of Boston Store of Chicago v. American Graphophone Company et al., 246 U. S., 8, and to that decision and the review of the cases by the Supreme Court, reference is specially made, as it is believed, while bearing on the general subject under consideration, they do not, because of their own peculiar facts, materially affect this case.

In the view taken by the court, the indictment here fairly presents the question of whether a manufacturer of products and shipped in interstate trade, is subject to criminal prosecution under the Sherman Act, for entering into a combination in restraint of such trade and commerce, because he agrees with his wholesale and retail customers,

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upon prices claimed by them to be fair and reasonable, at which the same may be resold, and declines to sell his products to
38 those who will not thus stipulate as to prices. This, at the threshold, presents for the determination of the court, how far one may control and dispose of his own property, that is to say, whether there is any limitation thereon, if he proceeds in respect thereto in a lawful and bona fide manner. That he may not do so, fraudulently, collusively, and in unlawful combination with others, may be conceded. (Eastern States Lumber Association v. The United States, 234 U. S., 600, 614.) But it by no means follows that being a manufacturer of a given article, he may not, without incurring any criminal liability, refuse absolutely to sell the same at any price, or to sell at a named sum to a customer, with the understanding that such customer will resell only at an agreed price between them, and should the customer not observe the understanding as to retail prices, exercise his undoubted right to decline further to deal with such person.

Authorities to sustain this view might be cited almost without number, and only some of the Federal decisions bearing strictly thereon will be mentioned. In an early decision construing the Sherman Act, rendered long before the Clayton Act was passed, and which latter act is not involved here (Transatlantic Missouri R. R. case, 166 U. S., 326) Mr. Justice Peckham, in distinguishing between a public carrier or calling, and a business like the one here involved, said:

"The trader or manufacturer, on the other hand, carries on an entirely private business, and can sell to whom he pleases; he may charge different prices for the same article to different individuals; he may charge as much as he can get for the article in which he deals, whether the price be reasonable or unreasonable; he may make such discrimination in his business as he chooses, and he may cease to do any business whenever his choice lies in that direction."

In Northern Securities Co. v. The United States, 193
39 U. S., 361, Mr. Justice Brewer, speaking for the court, said:

"Further, the general language of the act is also limited by the power which each individual has to manage his own property and determine the place and manner of its investment. Freedom of action in these respects is among the inalienable rights of every citizen."

In the Standard Oil Co. v. The United States, 221 U. S., 56, Chief Justice White, speaking for the court, said:

"From the review just made it clearly results that outside of the restrictions resulting from the want of power in an individual to voluntarily and unreasonably restrain his right to carry on his trade or business and outside of the want of right to restrain the free course of trade by contracts or acts which implied a wrongful purpose, freedom to contract and to abstain from contracting and to exercise every reasonable right incident thereto became the rule in the English law."

In United States v. American Tobacco Co., 221 U. S., 180, the Chief Justice, speaking for the court, said:

"Indeed, the necessity for not departing in this case from the standard of the rule of reason which is universal in its application is so plainly required in order to give effect to the remedial purposes which the act under consideration contemplates, and to prevent that act from destroying all liberty of contract and all substantial right to trade, and thus causing the act to be at war with itself by annihilating the fundamental right of freedom to trade which, on the very face of the act, it was enacted to preserve, is illustrated by the record before us."

In Dueber Watch Case Co. v. Howard Watch &c. Co., 66 Fed., 646 (C. C. A. 2nd Circuit), the court said:

"An individual manufacturer or trader may surely buy from or sell to whom he pleases, and may equally refuse to buy from or to sell to any one with whom he thinks it will promote his business interests to refuse to trade."

40 In Union Pacific Coal Co. v. United States, 173 Fed., 739 (C. C. A., 8th Circuit), the court said:

"There was no law which required the coal company to sell its coal to Sharp on the terms which he prescribed, or to sell it to him at all. It had the undoubted right to refuse to sell its coal at any price. It had the right to fix the prices and the terms on which it would sell it, to select its customers, to sell to some and to refuse to sell to others, to sell to some at one price and on one set of terms, and to sell to others at another price and on a different set of terms. There is nothing in the act of July 2, 1890, which deprived the coal company of any of these common rights of the owners and venders of merchandise, and if it did not combine with some other person or persons so to do its refusal to sell its coal to Sharp unless he would withdraw his advertisement of a reduction in his retail price of it was not the violation of the Sherman Anti-Trust Act charged in the indictment."

The case of Atlantic & Pacific Tea Co. v. Cream of Wheat Co., 224 Fed., 565, on appeal, 227 Fed., 46 (C. C. A., 2nd circuit), will be found a comprehensive and able discussion of the right of manufacturers to sell their wares or not; to fix retail prices or to decline dealing with any particular retailer. To these cases, and the authorities therein cited, and especially to the able discussion of Judge Hough on pages 572, 3, 4, and 5 of the first report, 224 Fed., 565, supra, attention is especially drawn.

The pregnant fact should never be lost sight of, that no averment is made of any contract or agreement having been entered into whereby the defendant, the manufacturer, and his customers, bound themselves to enhance and maintain prices, further than is involved in the circumstance that the manufacturer, the defendant here, refused to sell to persons who would not resell at indicated

41 prices, and that certain retailers made purchases on this condition, whereas, inferentially, others declined so to do. No

suggestion is made that the defendant, the manufacturer, attempted to reserve or retain any interest in the goods sold, or to restrain the vendee in his right to barter and sell the same without restriction. The retailer, after buying, could if he chose, give away his purchase, or sell it at any price he saw fit, or not sell it at all, his course in these respects being affected only by the fact that he might by his action, incur the displeasure of the manufacturer, who could refuse to make further sales to him, as he had the undoubted right to do. There is no charge that the retailers themselves entered into any combination or agreement with each other, or that the defendant acted other than with his customers individually. It can not be said that the defendant has no interest in the prices at which its goods shall be sold. On the contrary, it had a vital interest, in so far as cutting the same would tend to demoralize the trade and might have been more injuriously affected by the result of this disorganization, that the public would be benefited by a temporary reduction in the prices of its products. The sale of the defendant's particular soaps, can not be said to be a necessity, or that the same bears a large proportion to the entire manufacture of soaps of the kind and grade involved. The successful prosecution of the defendant's business, and the continued use of its soap by the public, depend upon its ability to find and maintain a market for its output. Price cutting would almost inevitably result in reducing the defendant's business in a given community, to only those engaged in that practice, and deprive it of the patronage of the great body of wholesalers and retailers engaged in what they believed to be a fair and legitimate conduct of their business. It by no means follows that, in the end, the public would be benefited, as the price cutter could easily raise prices after demoralization caused by his conduct, had
42 been brought about, and profit individually by so doing. What the public is interested in is that only reasonable and fair prices shall be charged for what it buys, and it is not claimed that the defendant's manner of conducting its business has otherwise resulted.

The indictment should set forth such a state of facts as to make it clear that a manufacturer, engaged in what was believed to be the lawful conduct of its business, has violated some known law, before it can be haled into court to answer the charge of the commission of a crime.

In the instant case the court's conclusion is that the averments of the indictment, when carefully considered and read in the light of the defendant's inalienable right to deal lawfully with its own property, the handling, trading in, and disposing of which is made the subject of this indictment, fail to charge any offense, either in restraint of trade and commerce, under the Sherman Act, or any other law of the United States.

Second.

This brings us to the consideration of the form of the indictment. Ordinarily, this would be deemed immaterial, the indictment failing to charge a criminal offense, as held by the court; but it will be perhaps better, if the case is to be reviewed by the appellate court, to have the sufficiency of the indictment also determined.

The indictment, it will be observed, is only against a manufacturer alleged to be in combination with wholesale and retail dealers, and not against the wholesale and retail dealers referred to. It is not averred that the names of the latter were unknown to the grand jury, and no reason is given why they were not made parties defendant. Assuming, but without deciding, that it is permissible to indict only one party in an unlawful combination, it does not seem to the court that the alleged offence with which the defendant is charged is stated and set forth with that degree of accuracy and cer-
43 tainty required in criminal pleading. The facts in no particular combination, against any one set of wholesalers or retailers alleged to have been in combination with the defendant, are given, but merely that assurances and promises were made by the wholesale and retail dealers doing business with defendant throughout the United States, and the eastern district of Virginia, that its products would not be resold at retail other than at prices fixed by the defendant. This language is too general, and the defendant has the right at least to be informed of some one particular infraction of the law that it is claimed it has committed. It would be impossible to intelligently prepare a defence or answer to this indictment as it involves the defendant's dealings with its wholesale and retail customers, throughout the territory named, covering a period of three years. This is too indefinite, and there ought to be no difficulty, if such condition exist, as set forth in the indictment, to name some specific instance of the alleged combination, and state the same in detail.

The demurrer will be sustained, and the indictment quashed.

October 29, 1918.

In the District Court of the United States, Eastern District of Virginia, October term, 1917.

Indictment.

The grand jurors of the United States of America, duly impaneled, sworn and charged to inquire in and for the eastern district of
44 Virginia, and so inquiring, upon their oaths, do find and present as follows:

Throughout the period of three years immediately preceding the return of this indictment Colgate and Company (hereinafter called the defendant) was a corporation organized and existing under the

laws of the State of New Jersey, having its general offices, factories, and salesrooms at Jersey City in said State, and there engaged in producing laundry soaps, toilet soaps and other toilet articles and in selling and shipping such products to wholesale and retail dealers in the eastern district of Virginia and throughout the United States. Throughout the said period of time the said wholesale dealers respectively resold and reshipped large quantities of such products, received by them from the defendant, to retail dealers both within and without the respective States in which the wholesale dealers so received such products. Throughout the said period of time the aforesaid retail dealers respectively resold and transported and delivered large quantities of such products, received by them from the said wholesale dealers and from the defendant, to the consuming public both within and without the respective States where the said retail dealers so received such products. The above described sales, resales, shipments and deliveries of the products of the defendant constituted trade and commerce among the several States of the United States.

During the aforesaid period of time, within the said eastern district of Virginia and throughout the United States, the defendant knowingly and unlawfully created and engaged in a combination with the aforesaid wholesale and retail dealers, in the eastern district of Virginia and throughout the United States, to procure adherence on the part of wholesale and retail dealers in the products of the defendant, in reselling such products sold to them as aforesaid, to resale prices fixed by the defendant, and to prevent such dealers from reselling at lower prices such products, sold to them as aforesaid, and thus to suppress competition amongst such wholesale
45 dealers and amongst such retail dealers, in restraint of the aforesaid trade and commerce among the several States, in violation of the act entitled "An act to protect trade and commerce against unlawful restraints and monopolies," approved July 2, 1890.

That is to say, during the aforesaid period of time, in the said eastern district of Virginia and throughout the United States, with the purpose and effect of inducing wholesale and retail dealers in the products of the defendant, when reselling such products, sold to them as aforesaid, to adhere to resale prices fixed by the defendant, and of preventing such dealers from reselling at lower prices such products, sold to them as aforesaid, and of suppressing competition amongst such wholesale dealers and amongst such retail dealers in reselling such products, the defendant did the things hereinafter alleged to have been done by it, and, with the same purpose and effect, induced many such dealers, in the said eastern district of Virginia and throughout the United States, to do the things hereinafter alleged to have been done by them.

The defendant distributed amongst the wholesale and retail dealers in its products letters, telegrams, circulars and lists showing uniform wholesale prices and uniform retail prices to be charged for its aforesaid products. It urged the said wholesale and retail dealers, by letters and circulars and orally, to adhere to the prices thus indicated

in reselling such products. It informed the said wholesale and retail dealers, by letters and circulars and orally, that it would refuse to sell its products to any dealer who did not resell such products at the prices thus indicated. It requested the said wholesale and retail dealers, orally and by letters, to inform it of sales by dealers, at wholesale and retail, at prices other than those indicated as aforesaid. Induced by such requests, many such dealers informed defendant of sales by other dealers at prices other than those indicated as aforesaid. Defendant thus secured from many such dealers
46 information as to many such sales. It also investigated and discovered, through its representatives, agents and employes, other sales by dealers in its products, at wholesale and retail, at prices other than those indicated as aforesaid. It placed the names of dealers, wholesale and retail, whom it ascertained to have made such sales at prices other than those indicated as aforesaid on lists which it called "Suspended lists." It requested the dealers whom it ascertained to have made such sales to give it assurances and promises that they would in future resell its products at the prices which it indicated. It uniformly refused to sell its products to dealers who had made sales at prices other than those indicated as aforesaid until such dealers gave assurances and promises that they would thereafter resell its products at the prices which it indicated. Induced by such requests and by such refusals, many dealers, wholesale and retail, who had sold such products at prices other than those indicated as aforesaid gave to defendant assurances and promises that they would thereafter resell such products at the prices indicated by defendant. Defendant thus procured many such assurances and promises from dealers in the eastern district of Virginia and throughout the United States and, upon receiving such assurances and promises, sold its products to the dealers who gave such assurances and promises. Defendant requested similar assurances and promises from dealers, wholesale and retail, to whom it had not previously sold its products, upon opening accounts with such dealers, and many such dealers, induced by such requests, gave such assurances and promises to defendant, and defendant thereupon sold its products to such dealers. It freely sold its products to dealers with whom it had established accounts and who had not resold such products at prices other than those indicated as aforesaid.

By reason of the foregoing, wholesale dealers in the aforesaid products of the defendant in the eastern district of Virginia
47 and throughout the United States, with few exceptions, resold, at uniform prices fixed by the defendant, the aforesaid products, sold to them by the defendant, and refused to resell such products at lower prices to retail dealers in the States where the respective wholesale dealers did business and in other States. For the same reason retail dealers in the aforesaid products of the defendant in the eastern district of Virginia and throughout the United States resold, at uniform prices fixed by the defendant, the aforesaid products, sold to them by the defendant and by the aforesaid wholesale

dealers, and refused to sell such products at lower prices to the consuming public in the States where the respective retail dealers did business and in other States. Thus competition in the sale of such products, by wholesale dealers to retail dealers, and by retail dealers to the consuming public, was suppressed, and the prices of such products to the retail dealers and to the consuming public in the eastern district of Virginia and throughout the United States were maintained and enhanced.

And so the grand jurors, upon their oaths, do find and present that Colgate and Company, within the period of three years immediately preceding the return of this indictment, in the eastern district of Virginia, in the manner aforesaid, unlawfully engaged in a combination in restraint of trade and commerce among the several States, against the peace and dignity of the United States and contrary to the statute in such case made and provided.

RICHARD H. MANN,
United States Attorney.

(Returned and filed December 18, 1917.)

48 In the United States District Court for the Eastern District of Virginia.

THE UNITED STATES
v.
COLGATE & CO., A CORPORATION. } Indictment No. 850.

This day came as well the United States, by its attorney, as the defendant by its counsel, and thereupon the defendant filed its demurrer in writing to the indictment in this case, in which the Government joined. Whereupon the questions arising upon the demurrer being argued and fully considered by the court, it is, for reasons stated in writing this day filed, ordered that the demurrer be and the same is hereby sustained in so far as it avers that the indictment fails to charge any offence under the Sherman Act, or any other law of the United States, that is to say, as to the substance of the indictment, and the conduct and acts charged therein; and the said demurrer is overruled so far as it raises questions as to the form of the indictment.

It is further ordered that a certified copy of the original indictment in case No. 1294 at Norfolk, and of the opinion filed therein on the 29th day of October, 1918, be and the same are hereby made parts of the record in this case. And this case is hereby dismissed and removed from the docket.

EDMUND WADDILL,
United States District Judge.

RICHMOND, VA., *Decr. 12, 1918.*

49 *Petition for writ of error.*

Filed January 10th, 1919.

Now comes the United States of America, plaintiff herein, by Richard H. Mann, United States attorney for the eastern district of Virginia, and says:

That, on or about the 12th day of December, 1918, the District Court of the United States for the Eastern District of Virginia filed a decision sustaining a demurrer to an indictment of said defendant, and on December 12, 1918, entered judgment in accordance with the said decision, in which decision and judgment certain errors were committed in the construction of the provisions of the statute upon which the indictment was founded, to wit, the act of Congress approved July 2, 1890, entitled "An act to protect trade and commerce against unlawful restraints and monopolies" (26 Stat., 209), to the prejudice of this plaintiff, all of which will more in detail appear from the assignment of errors which is filed with this petition.

Wherefore this plaintiff prays that a writ of error may issue out of the Supreme Court of the United States for the correction of the errors so complained of, and that a transcript of the record, proceedings, and papers in this case, duly authenticated, may be sent to the Supreme Court of the United States, in accordance with the provisions of the act of Congress approved March 2, 1907 (34 Stat., 1246, ch. 2564).

RICHARD H. MANN,
United States Attorney.

Assignment of errors.

Filed January 10th, 1919.

The plaintiff in this action in connection with its petition for
50 a writ of error makes the following assignment of errors which it avers occurred in the decision of the cause, to wit:

The learned court erred:

1. In its decision that the demurrer should be sustained.

2. In entering its order sustaining the demurrer and dismissing the indictment.

3. In its construction of the act of Congress approved July 2, 1890, entitled "An act to protect trade and commerce against unlawful restraints and monopolies" (26 Stat., 209), in holding that no violation of that act was shown by the averments of the indictment as construed by the court.

4. In its construction of the said act of Congress in holding that a manufacturer whose products are the subject of interstate commerce may sell such products to dealers therein upon agreements, between the manufacturer and the dealers, that the latter shall observe fixed and uniform resale prices in reselling such products.

5. In its construction of the said act of Congress in holding that there is a distinction between the meaning of the provisions of the act as enforceable in civil proceedings and the meaning of such provisions as enforceable in criminal proceedings.

6. In its construction of the said act of Congress in holding that the illegality of a resale price-fixing combination depends upon whether the restraint of trade is effected by means of contracts between the manufacturer and the dealers as distinguished from informal agreements and understandings between the same parties.

7. In its construction of the said act of Congress in holding that the illegality of a resale price-fixing combination depends upon whether the articles affected by the combination are or are not the subject of monopoly.

51 8. In its construction of the said act of Congress in holding that the illegality of a resale price-fixing combination between a manufacturer and dealers in its products depends upon whether or not the manufacturer acts in concert with other manufacturers.

9. In its construction of the said act of Congress in holding that the illegality of a resale price-fixing combination between a manufacturer and dealers in its products is affected by the question whether the manufacturer is under any obligation to manufacture and sell its products.

10. In its construction of the said act of Congress in holding that the illegality of a resale price-fixing combination between a manufacturer and dealers in its products to whom it sells depends upon whether the combination controls the resale prices of other dealers to whom the manufacturer does not sell direct.

11. In its construction of the said act of Congress in holding that the illegality of a resale price-fixing combination between a manuturer and dealers in its products depends upon the magnitude of the prices fixed.

UNITED STATES OF AMERICA,
By RICHARD H. MANN,
United States Attorney.

Order allowing writ of error.

Entered and filed January 10th, 1919.

Now comes the United States of America, plaintiff herein, by its attorney, Richard H. Mann, Esq., and files herein and presents to the court its petition praying for the allowance of a writ of error and an assignment of errors intended to be urged by it, praying also that a transcript of the record, proceedings, and papers upon which the decision and judgment herein were rendered, duly authen-

52 ticated, be sent to the Supreme Court of the United States, and that such other and further proceedings may be had as are proper in the premises.

On consideration whereof the court does allow the writ of error and orders that a transcript of the entire record, duly authenticated, be sent to the Supreme Court of the United States.

EDMUND WADDILL, JR.,
U. S. Dist. Judge.

RICHMOND, VA., *January 10", 1919.*

Writ of error.

Issued January 10th, 1919.

UNITED STATES OF AMERICA, *ss:*

The President of the United States to the honorable the judge of the United States District Court for the Eastern District of Virginia, greeting:

Because in the record and proceedings, as also in the rendition of the judgment of a plea which is in the said district court before you, between the United States, plaintiff, and Colgate & Company, a corporation, defendant, a manifest error hath happened, to the great damage of the said United States, as by its complaint appears. We being willing that error, if any hath been, should be duly corrected, and full and speedy justice done to the parties aforesaid in this behalf, do command you, if judgment be therein given, that then under your seal, distinctly and openly, you send the record and proceedings aforesaid, with all things concerning the same, to the Supreme Court of the United States, together with this writ, so that you have
53 the same in the said Supreme Court at Washington, within thirty days from the date hereof, that the record and proceedings aforesaid being inspected, the said Supreme Court may cause further to be done therein to correct that error, what of right, and according to the laws and customs of the United States should be done.

Witness the honorable Edmund Waddill, jr., judge of the District Court of the United States for the Eastern District of Virginia, the 10th day of January, in the year of our Lord one thousand nine hundred and nineteen.

[SEAL.] JOSEPH P. BRADY,
Clerk of the District Court of the United States.

Before Waddill, J.
Allowed by the court.
EDMUND WADDILL, Jr.,
U. S. Dist. Judge.

Return.

Executed this 10th day of January, 1919, by lodging a copy of the within writ of error among the papers in the case of United States versus Colgate & Company, indictment No. 850.

JOSEPH P. BRADY,
Clerk, United States District Court.

Citation.

Issued January 10th, 1919.

The President of the United States to Colgate & Company, a corporation, greetings:

You are hereby cited and admonished to be and appear at the
54 Supreme Court of the United States, to be holden at the city of Washington, D. C., within thirty days, pursuant to a writ of error filed in the clerk's office of the District Court of the United States, Eastern District of Virginia, wherein the United States of America is plaintiff in error and you are defendant in error, to show cause, if any there be, why the judgment and decision rendered against the said plaintiff in error, as in the said writ of error mentioned, should not be corrected, and why speedy justice should not be done to the parties in that behalf.

Witness the honorable Edmund Waddill, jr., Judge of the District Court of the United States, this 10" day of January, in the year of our Lord one thousand nine hundred and nineteen.

EDMUND WADDILL, Jr.,
United States District Judge, Eastern District of Virginia.

Acceptance of service.

Service accepted this 18th day of January, 1919.

CHARLES WESLEY DUNN,
MASON TROWBRIDGE,
Attorneys for Defendant in Error.

Clerk's certificate.

UNITED STATES OF AMERICA,
Eastern District of Virginia, ss:

I, Joseph P. Brady, clerk of the United States District Court for the Eastern District of Virginia, do hereby certify that the foregoing is a true transcript of the record and proceedings, together with all things thereunto relating, in the case of The United States versus Colgate & Company, indictment No. 850.

In testimony whereof, I have hereunto set my hand and
55 affixed the seal of said District Court, at Richmond, this 29th day of January, 1919.

[SEAL.]

JOSEPH P. BRADY,
Clerk United States District Court for the Eastern District of Virginia.

(Endorsement on cover:) File No. 26,914. E. Virginia D. C. U. S. Term No. 828. The United States, Plaintiff in Error, *vs.* Colgate & Company. Filed January 30th, 1919. File No. 26,914.

In the Supreme Court of the United States.

OCTOBER TERM, 1918.

THE UNITED STATES, PLAINTIFF IN ERROR,
v.
COLGATE & COMPANY, A CORPORATION.
No. 828.

IN ERROR TO THE DISTRICT COURT OF THE UNITED STATES FOR THE EASTERN DISTRICT OF VIRGINIA.

MOTION BY THE UNITED STATES TO ADVANCE.

The Solicitor General, in accordance with the provisions of the Criminal Appeals Act, 34 Stat., 1246, moves the court to advance the above-entitled cause for hearing on a day convenient to the court, upon the ground that the case is one of public importance, both in itself and because it will control the decision of numerous other cases.

Defendant was indicted, under the Sherman Act, in the District Court of the United States for the Eastern District of Virginia, upon a charge of engaging in a resale price-fixing combination with dealers in its products throughout the United States. The court held that the indictment "fairly presents the question" whether a manufacturer is responsible criminally "because he agrees with his wholesale and

retail customers upon prices, claimed by them to be fair and reasonable, at which the same [the manufacturer's products] may be resold." Nevertheless, the court sustained a demurrer, upon the ground that the indictment failed to charge any offense under any Federal law.

Notice of this motion has been served on opposing counsel.

ALEX C. KING,
Solicitor General.

JANUARY, 1919.

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In the Supreme Court of the United States.

OCTOBER TERM, 1918.

No. 828.

UNITED STATES OF AMERICA, PLAINTIFF IN ERROR,

v.

COLGATE & COMPANY, DEFENDANT IN ERROR.

IN ERROR TO THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF VIRGINIA.

BRIEF FOR THE UNITED STATES.

STATEMENT OF THE CASE.

This is a writ of error under the Criminal Appeals Act of March 2, 1907 (c. 2564, 34 Stat. 1246), to review a judgment of the United States District Court for the Eastern District of Virginia sustaining a demurrer to an indictment against Colgate & Company based on the Antitrust Act of July 2, 1890 (c. 647, 26 Stat. 209).

The indictment sets forth that Colgate & Company, a corporation of New Jersey, manufactures in that State laundry soaps, toilet soaps, and other toilet articles which it sells and ships to wholesale dealers throughout the United States, and

in some instances to retail dealers; that the wholesale dealers resell and deliver the articles to retail dealers both within and without the respective States in which they, the wholesale dealers, are located; that the retail dealers resell and deliver the articles to consumers both within and without the respective States in which they, the retail dealers, are located. (R. 19, 20.)

The indictment then charges that Colgate & Company created and engaged in a *combination* with these wholesale and retail dealers to maintain resale prices for its products fixed by it and to prevent such dealers from reselling the articles at lower prices, thereby suppressing competition amongst such wholesale dealers and amongst such retail dealers, and in consequence restraining trade and commerce among the several States in violation of the Act of July 2, 1890. (R. 20.)

The indictment then sets forth the means employed in carrying out the combination substantially as follows:

> (*a*) Colgate & Company sent to the dealers, wholesale and retail, letters, telegrams, circulars, and lists showing uniform wholesale prices and uniform retail prices to be charged for its products. (R. 20.)
>
> (*b*) By letters, circulars, and orally it informed the dealers, wholesale and retail, that it would refuse to continue selling its products to any dealer who did not adhere to the resale prices thus indicated. (R. 20.)

(*c*) As a condition of opening accounts with dealers, wholesale and retail, to whom it had not previously sold its products, it exacted assurances and promises that they would resell such products at the prices thus indicated. (R. 21.)

(*d*) By letters and orally it requested the dealers, wholesale and retail, to inform it of sales by dealers at wholesale or retail at prices other than those thus indicated; and many of them did so. (R. 20.)

(*e*) It also made investigations through its own agents and employees for the purpose of discovering any such departures from the resale prices indicated by it. (R. 20.)

(*f*) It placed the names of the dealers so offending upon what it called "suspended lists." (R. 20.)

(*g*) It requested the offending dealers to give assurances and promises that they would in future resell its products at the prices indicated and refused to sell them its products until they did so; in consequence of which many dealers, wholesale and retail, who had sold such products at prices other than those indicated as aforesaid gave assurances and promises that they would thereafter observe the indicated prices. (R. 20, 21.)

The indictment then alleges that by reason of the combination so entered into and carried out by Colgate & Company and dealers in its products "competition in the sale of such products, by wholesale dealers to retail dealers, and by retail dealers to the consuming public, was suppressed, and the prices of such prod-

ucts to the retail dealers and to the consuming public in the eastern district of Virginia and throughout the United States were maintained and enhanced." (R. 21.)

In most cases of conspiracy the means employed to carry out the conspiracy also constitute part of the proof of the conspiracy. So here. But, of course, it is no part of an indictment to recite evidence as such, and therefore it is not to be assumed that the things enumerated in the present indictment as means of carrying out the alleged combination between Colgate & Company and dealers in its products to maintain fixed resale prices constitute the only evidence that would be offered to the jury to prove the existence of such a combination.

The District Court held the indictment bad, being of opinion that a manufacturer of a given article may without incurring *criminal* liability sell the article to a customer "with the understanding that such customer will resell only at an agreed price between them." (R. 28.) The demurrer was accordingly sustained and the indictment quashed. Thereupon this writ of error was sued out. The assignments of error are printed in the margin below.[1]

---

[1] The learned court erred—

1. In its decision that the demurrer should be sustained.

2. In entering its order sustaining the demurrer and dismissing the indictment.

3. In its construction of the Act of Congress approved July 2, 1890, entitled "An act to protect trade and commerce against unlawful restraints and monopolies" (26 Stat. 209) in holding that no violation of that act was shown by the averments of the indictment as construed by the court.

4. In its construction of the said Act of Congress in holding that a manufacturer whose products are the subject of interstate commerce may sell

CONSTRUCTION OF THE INDICTMENT.

In the District Court the argument for Colgate & Company proceeded on the theory that what the indictment charges as a violation of law was the refusal of Colgate & Company to sell its products to dealers who resold them at prices it did not approve of. The indictment makes no such charge. What the indictment does charge is a *combination* between Colgate & Company and dealers in its products to

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such products to dealers therein upon agreements, between the manufacturer and the dealers, that the latter shall observe fixed and uniform resale prices in reselling such products.

5. In its construction of the said Act of Congress in holding that there is a distinction between the meaning of the provisions of the act as enforceable in civil proceedings and the meaning of such provisions as enforceable in criminal proceedings.

6. In its construction of the said Act of Congress in holding that the illegality of a resale price-fixing combination depends upon whether the restraint of trade is effected by means of contracts between the manufacturer and the dealers as distinguished from informal agreements and understandings between the same parties.

7. In its construction of the said Act of Congress in holding that the illegality of a resale price-fixing combination depends upon whether the articles affected by the combination are or are not the subject of monopoly.

8. In its construction of the said Act of Congress in holding that the illegality of a resale price-fixing combination between a manufacturer and dealers in its products depends upon whether or not the manufacturer acts in concert with other manufacturers.

9. In its construction of the said Act of Congress in holding that the illegality of a resale price-fixing combination between a manufacturer and dealers in its products is affected by the question whether the manufacturer is under any obligation to manufacture and sell its products.

10. In its construction of the said Act of Congress in holding that the illegality of a resale price-fixing combination between a manufacturer and dealers in its products to whom it sells depends upon whether the combination controls the resale prices of other dealers to whom the manufacturer does not sell direct.

11. In its construction of the said Act of Congress in holding that the illegality of a resale price-fixing combination between a manufacturer and dealers in its products depends upon the magnitude of the prices fixed. (R. 35, 36.)

maintain fixed resale prices. The language of the charge is as plain as it could be made:

> Defendant knowingly and unlawfully created and engaged in a combination with said wholesale and retail dealers, in the eastern district of Virginia and throughout the United States, for the purpose and with the effect of procuring adherence on the part of such dealers (in reselling such products sold to them as aforesaid) to resale prices fixed by the defendant, and of preventing such dealers from reselling such products at lower prices, etc. (R. 20.)

After stating first the defendant's construction of the charge of the indictment (R. 26) and then the Government's (R. 26), the District Court adopted the latter, saying (R. 27, 28):

> In the view taken by the court, the indictment here fairly presents the question of whether a manufacturer of products shipped in interstate trade is subject to criminal prosecution under the Sherman Act for entering into a combination in restraint of such trade and commerce, because he agrees with his wholesale and retail customers, upon prices claimed by them to be fair and reasonable, at which the same may be resold, and declines to sell his products to those who will not thus stipulate as to prices. (R. 27, 28.)

The essential difference in law between the proposition that it is unlawful for a manufacturer to *combine* or *agree* with dealers in his products for the purpose of maintaining resale prices fixed by him and the proposition that it is unlawful *in and of*

itself for him to refuse to sell to dealers who fail to observe such prices is at once apparent. Thus a manufacturer might be indicted on the charge of having combined or agreed with dealers in his products for the purpose of maintaining resale prices fixed by him, and on the trial, although it were shown that the manufacturer indicated resale prices and refused to sell to dealers who did not observe those prices, the jury might nevertheless upon a consideration of *all* the evidence in the case, reach the conclusion that the manufacturer had not entered into any combination or agreement with the dealers to maintain resale prices and accordingly acquit him of the charge.

Of course, in all resale-price combinations and agreements the refusal of the manufacturer to sell to dealers who fail to observe the fixed price is one of the means—usually the principal means—of making the combination or agreement effective. So here, the refusal of Colgate & Company to sell to dealers who fail to observe the fixed price was alleged in the indictment as one of the means of carrying out the combination. But that is a very different thing from charging that such refusal to sell was in and of itself a violation of law. "It hardly needs statement that the character and effect of a conspiracy is not to be judged by dismembering it and viewing its separate parts, but only by looking at it as a whole." (*United States* v. *Patten*, 226 U. S., 525, 544.)

After construing the indictment as above set forth, the District Court in one part of its opinion (R. 28–30) cited some cases and used some language which might indicate that it thought the Government was contending that such refusal to sell was in and of itself unlawful, apart from any combination between Colgate & Company and dealers to maintain fixed resale prices. As already shown, no such charge is made in the indictment; and no such contention was intended to be made in argument. In no event, however, would a misapprehension of the Government's position on this point affect the District Court's explicit construction of the indictment as a whole, as above set forth.

ARGUMENT.

I.

ILLEGALITY OF RESALE PRICE-FIXING COMBINATIONS AND AGREEMENTS ESTABLISHED BY PRIOR DECISIONS.

The sole question is whether the combination described in the indictment is prohibited by the Antitrust Act of July 2, 1890.

The illegality of combinations or other arrangements between manufacturers and dealers to whom they have sold their products, for the purpose of maintaining resale prices fixed by the manufacturers, has been so often and so recently declared by this Court that the time for argument of the question seems to us to have passed. (*Bobbs-Merrill Co.* v. *Straus*, 210 U. S. 339; *Dr. Miles Medical Co.* v. *Park & Sons Co.*, 220 U. S. 373; *Bauer* v. *O'Donnell*, 229 U. S. 1; *Straus* v. *American Publishers Ass'n*, 231 U. S. 222; *Straus* v. *Victor Talking Machine Co.*, 243 U. S. 490; *Motion Picture Patents Co.* v. *Universal Film Manufacturing Co.*, 243 U. S. 502; *Boston Store* v. *American Graphophone Co.*, 246 U. S. 8.)

The leading case is *Dr. Miles Medical Co.* v. *Park & Sons Co.* (220 U. S. 373). There the combination was effected by agreements in writing between the manufacturer and each dealer binding the dealer to adhere to prices fixed by the manufacturer. It was held to be unlawful "both at common law and under the Act of Congress of July 2, 1890" (p. 409).

The vice of the combination and the ground of the decision was thus tersely stated (p. 407):

> The agreements are designed to maintain prices, after the complainant has parted with the title to the articles, and to prevent competition among those who trade in them.

And again (p. 409):

> The complainant having sold its product at prices satisfactory to itself, the public is entitled to whatever advantage may be derived from competition in the subsequent traffic.

Insistent efforts have been made to have the principle of this decision narrowed in later cases, without success. Rather, the principle has been given full scope. It has been held applicable to copyrighted articles (*Straus* v. *American Publishers Ass'n*, 231 U. S. 222) and to patented articles (*Bauer* v. *O'Donnell*, 229 U. S. 1; *Boston Store* v. *American Graphophone Co.*, 246 U. S. 8), no less than to others. Disguises intended to frustrate the application of the principle have been impatiently brushed aside. (*Straus* v. *Victor Talking Machine Co.*, 243 U. S. 490, 498–501.)

In the latest case (*Boston Store* v. *American Graphophone Co.*, 246 U. S. 8, decided less than a year ago) this Court, after stating that the question—

> arose from a disregard by the Boston Store of the rule as to maintenance of price fixed in its contract, that is, from selling the articles at a less price than that which the contract stipulated should be maintained (p. 20),

observed (pp. 20–21):

> We at once say, despite insistence in the argument to the contrary, that we are of opinion that there is no room for controversy concerning the subjects to which the questions relate, as every doctrine which is required to be decided in answering the questions is now no longer open to dispute, as the result of prior decisions of this court, some of which were announced subsequent to the making of the certificate in this case.

After this pointed statement the Court entered upon a comprehensive review of its prior decisions, as if to put the question definitely at rest. Of the *Dr. Miles case* it said (p. 22):

> It was decided that the power to make the limitation as to price for the future could not be exerted consistently with the prohibitions against restraint of trade and monopoly contained in the Antitrust Law.

As further discouragement to the renewal of the contention where the form of the arrangement might be different but the substance remains the same, the Court added (p. 25)—

> that the attempt in argument to distinguish the cases by the assumption that they rested upon a mere question of the form of notice on the patented article, or the right to contract solely by reference to such notice, is devoid of merit, since the argument disregards the *fundamental ground* upon which, as we have seen, the decided cases must rest. [Italics ours.]

For more than five years there has been a sustained and intelligently directed effort to have the law as declared in these decisions changed so as to permit manufacturers to prescribe the prices at which their products shall be resold by dealers who have bought them; but Congress has refused to make any change. (See H. R. 13305, 63d Cong., 2d sess.; H. R. 13568, 64th Cong., 1st sess.; also printed hearings on H. R. 13568, 64th Cong., 1st and 2d sess.)

II.

IMMATERIAL WHETHER THE COMBINATION OR AGREEMENT IS EFFECTED THROUGH FORMAL WRITTEN CONTRACTS OR THROUGH A MERE MEETING OF THE MINDS OF THE PARTIES.

Notwithstanding the statement of this Court in the *Boston Store case* that the decisions in the *Dr. Miles case* and the cases which followed it rested upon a fundamental ground and that the mere form of the arrangement is unimportant in determining whether a manufacturer is attempting to assert unlawful control over his product after selling it to dealers, it is now suggested and reiterated in various forms that the "outstanding and significant" feature of the present indictment is that it "does not charge defendant with effecting any *contract* to maintain resale prices," and that therefore it states no offense under the Antitrust Act. (Defendant's brief below, pp. 8–9, 20–21.)

But, of course, the act prohibits *combinations* as well as *contracts* in restraint of trade; and it is ele-

mentary that a combination may be brought about through an informal meeting of minds as well as through formal contract, and consequently more often than not is a matter of inference. (*Thomsen* v. *Cayser*, 243 U. S. 66, 84; *Eastern States Lumber Dealers' Ass'n.* v. *United States*, 234 U. S. 600, 612; *United States* v. *U. S. Steel Corp.*, 223 Fed. 55, 160.)

In *United States* v. *Kellogg Toasted Corn Flake Co.* (222 Fed. 725), where the defendant was charged with having entered into a combination with dealers to maintain uniform resale prices for its product, this same defense was made and rejected by the three judges who decided the case. They said (pp. 730–731):

> But defendants urge that no contract in restraint of trade is consummated, because the notice on the carton does not constitute a valid contract. * * *
>
> A legally enforceable contract or system of contracts is not required in order to render obnoxious to the Antitrust Act a selling plan which unreasonably restrains or monopolizes trade or commerce. The Sherman Act is not aimed alone at contracts, but embraces combination schemes of any and every kind which amount to an undue or unreasonable restraint of trade in interstate commerce, "without regard to the garb in which the acts were clothed." Indirection will not afford escape.

Again, in *Frey & Son* v. *Welsh Grape Juice Co.*, in the district of Maryland (April 27, 1916), where

the complaint was that the defendant had entered into a combination with dealers to maintain uniform resale prices for its products, although no formal contract to that effect was alleged, Judge Rose charged the jury as follows:

> If I understand correctly the decision of the Supreme Court, any agreement having for its sole purpose the destruction of competition and the fixing of prices is injurious to the public interests and void * * * It is admitted by the plaintiff that there was no written and signed agreement on the subject and none couched in any formal or express terms * * * A combination in violation of the Sherman Act may be formed between or among any two or more persons. It is not necessary that it should be formulated in words * * * It is for you to say upon the whole case whether you are satisfied from the fair preponderance of the evidence that there was such a combination.

In a similar case in the southern district of New York, *Lowe Motor Supplies Co.* v. *Weed Chain Tire Grip Co.* (May 5, 1917), Judge Mack charged the jury as follows:

> The manufacturer can not legally control—I mean legally control throughout the country by any general scheme to control and to prevent such competition in the article as to the prices at which they should be marketed, whether by jobbers or by dealers—the resale

> prices * * *. If there is an agreement or understanding between them and if the designation is based on the understanding or agreement between them, whether it is in writing, whether it is by word of mouth, whether it is by looking into each other's eyes, or in any other way in which men come to an understanding or agreement, if it is under an agreement that the manufacturer shall control the policy as to the resale price * * * the agreement is illegal because it is in restraint and it is undue restraint of interstate commerce.

Moreover, in *Bauer* v. *O'Donnell* (229 U. S. 1), the maintenance of resale prices was attempted, not through *contracts* between the manufacturer and dealers, but by means of a *notice* attached to the article. In the *Boston Store case* (246 U. S. 8) this Court said (p. 23) that that plan of price mainteance—

> was indisputably void and unenforceable under the general law as the result of the ruling in the *Miles Medical case*,

thus plainly indicating that the principle of the *Miles case* is applicable regardless of the form of the arrangement. Again, in the *Victor case* (243 U. S. 490) the plan of maintaining resale prices by so-called "License Notices" was held to be—

> in substance the one dealt with by this Court in *Dr. Miles Medical Co.* v. *Park & Sons Co.*, 220 U. S. 373, and in *Bauer* v. *O'Donnell*, 229 U. S. 1, adroitly modified, etc. (p. 498).

And in the *Boston Store case* (246 U. S. 8) it was said of the decision in the *Victor case* that—

> Basing its action upon the substance of things and disregarding mere forms of expression as to license, etc., the Court held that the contract was obviously in substance like the one considered in the *Miles Medical Case* and not different from the one which had come under review in *Bauer* v. *O'Donnell* (p. 24)—

thus again indicating that the substance of such arrangements is the material thing.

Finally, the words of this court in the *Tobacco case* are ever to be borne in mind:

> In view of the general language of the statute and the public policy which it manifested, there was no possibility of frustrating that policy by resorting to any disguise or subterfuge of form, * * * (221 U. S. 106, 181.)

III.

CONSIDERATION OF THE ATTEMPT TO DISTINGUISH THE PRIOR CASES ON THE GROUND THAT THEY MERELY HELD RESALE PRICE-FIXING COMBINATIONS AND AGREEMENTS UNENFORCEABLE AND NOT POSITIVELY UNLAWFUL.

An attempt is made to distinguish the previous decisions, particularly the *Dr. Miles case*, on the ground that they merely held that arrangements between a manufacturer and dealers to maintain resale prices fixed by the manufacturer are *unenforceable*, not that they are positively unlawful.

Clearly that is not so as regards the *Kellogg Corn Flakes case*, the *Welch Grape Juice case* and the *Weed Chain Tire case, supra*, for in each of these the whole question was whether the restrictions as to prices were unlawful under the Act of July 2, 1890.

Nor is it any more true of the cases in this Court. For whilst the issue was presented in these cases in a way which required the decision to be in the negative form that the restrictions are unenforceable, the *reason* why they were held unenforceable was that they violated the law against restraints of trade.

Thus, in the *Dr. Miles case, supra*, to repeat a previous quotation, the Court held that—

> The restrictions sought to be enforced by the bill were invalid both at common law and under the Act of Congress of July 2, 1890 (220 U. S. 409).

And in holding unenforceable the plan for maintaining resale prices in *Bauer* v. *O'Donnell, supra*, the same ground of invalidity was in the mind of the Court, for it made express reference to the *Dr. Miles case*, saying that —

> an attempt to thus fix the price of an article of general use would be against public policy and void. (229 U. S. 12.)

Again, in *Straus* v. *American Publishers Association, supra*, this Court reversed the holding of the lower court that the plan for maintaining resale prices there in question "was not within the denunciation of the Sherman Act" (231 U. S. 236).

In the *Victor Talking Machine case, supra,* the plan for maintaining resale prices was held unenforceable on the same ground as in the *Dr. Miles case* and *Bauer* v. *O'Donnell* (243 U. S. 498).

Finally, in the *Boston Store case* the plan was held "contrary to the general law and void" (246 U. S. 25), chiefly upon the authority of the *Dr. Miles case,* which was explained as holding that—

> The power to make the limitation as to price for the future could not be exerted consistently with the prohibitions against restraint of trade and monopoly contained in the Antitrust Law. (246 U. S. 22.)

It is thus apparent that in all of these cases the underlying reason for the decision was that arrangements between a manufacturer and dealers in his product to maintain fixed resale prices violate the law against restraints of trade.

IV.

CONSIDERATION OF THE REASONING OF THE DISTRICT COURT.

The District Court based its decision apparently on three grounds: First, that a manufacturer of an article may without violating any law sell the article to a customer "with the understanding that such customer will resell only at an agreed price between them" (R. 28); second, that it is not unlawful for a manufacturer to refuse to sell his product to dealers who will not adhere to resale prices fixed by him (R. 28 et seq.); third, that it has

not been shown that price competition between dealers, in the sale of a manufacturer's products, would be in the public interest.[1] (R. 30.)

The first of these grounds, we submit, is not a correct statement of the law, being directly contrary to the decision of this Court in the *Dr. Miles case* and the cases which followed and affirmed it (*supra*, 9).

The second ground is irrelevant because, as shown above, what the indictment charges as a violation of law is not the refusal of Colgate & Company to sell its products to dealers who refuse to adhere to resale prices fixed by Colgate & Company, but *a combination* or *agreement* between Colgate & Company and the dealers to maintain such resale prices.

The case of *Great Atlantic & Pacific Tea Co.* v. *Cream of Wheat Co.* (224 Fed. 566; s. c. 227 Fed. 46), to which the District Court referred, is therefore not in point, since the complaint there proceeded upon the theory that the manufacturer was legally bound to sell to the plaintiff, who had been cutting suggested resale prices, and that under the Clayton Act the plaintiff had a legal right to compel the manufacturer to sell to him. The District Court held to the contrary. Its decision was affirmed

[1] The District Court also remarked that no authority was cited in support of an indictment against only one party to an unlawful combination. But while, of course, it requires more than one person to make a combination or conspiracy, it is clearly within the power of a prosecuting officer to single out for prosecution the prime mover in a combination or conspiracy if in his judgment the ends of justice would be best met in that way. (*United States* v. *Miller*, 3 Hughes, 553; 26 Fed. Cas., No. 15774; 12 *Corpus Juris*, p. 616, sec. 191.)

by the Circuit Court of Appeals upon the ground that a manufacturer is not compelled to sell to a person to whom he does not wish to sell (227 Fed. 48, 49). That has no bearing on such a case as the present one where the alleged offense consists in participation in a price-fixing combination.

The third ground—that it is in the public interest that a manufacturer should have power to prevent price cutting in his products by fixing a uniform price at which they shall be resold by dealers—has been put forward in every case of this kind which has come to this Court (e. g., the *Dr. Miles case*, 220 U. S. 407–408), and has always been rejected as obviously a consideration of policy which should be addressed to Congress and not to the courts. And, as we have already noted, it has been addressed to Congress very persistently, but without effect.

It may not be amiss, nevertheless, to point out that particular dealers may sell a manfacturer's product at less than the price which the manufacturer considers should be charged by all dealers, because, through increased efficiency in the conduct of their business, such dealers are able to realize a satisfactory profit at a lower selling price than less enterprising dealers and feel not only that their customers should have the benefit of such lower price, but that they themselves should be permitted to reap the reward of their greater efficiency by attracting customers in larger numbers through the lower price, thereby putting their business on a basis of large sales and small profits.

There is thus no justification for indiscriminately characterizing sales at less than the price indicated by a manufacturer as injurious price cutting or as acts of *unfair* competition in the sense of foregoing a reasonable profit or of incurring actual loss on sales of a particular article in order to entice customers who will make up the deficiency by paying high prices for other products.

CONCLUSION.

The judgment of the District Court should be reversed.

G. CARROLL TODD,
The Assistant to the Attorney General.
HENRY S. MITCHELL,
Special Assistant to the Attorney General.
FEBRUARY, 1919.

○

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JAMES D. MAHER,
CLERK.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1918.

No. 828.

UNITED STATES OF AMERICA,
Plaintiff-in-Error,

v.

COLGATE & COMPANY, a Corporation,
Defendant-in-Error.

IN ERROR TO THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF VIRGINIA.

BRIEF FOR COLGATE & COMPANY, DEFENDANT-IN-ERROR.

CHARLES E. HUGHES,
CHARLES WESLEY DUNN,
MASON TROWBRIDGE,
of Counsel for Defendant-in-Error.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1918.

UNITED STATES OF AMERICA, Plaintiff-in-Error, v. COLGATE & COMPANY, a Corporation, Defendant-in-Error.	No. 828

IN ERROR TO THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF VIRGINIA.

BRIEF FOR COLGATE & COMPANY, DEFENDANT-IN-ERROR.

STATEMENT.

This is a writ of error sued out by the United States under the Criminal Appeals Act of March 2, 1907, 34 Stat., 1246, c. 2564, to review the judgment of the United States District Court for the Eastern District of Virginia sustaining a demurrer to an indictment against Colgate & Company for an al-

leged violation of the Act of July 2, 1890, 26 Stat., 209, c. 647, commonly known as the Sherman Anti-Trust Act.

The single question involved is whether the judgment of the District Court that this indictment, as construed by that court, does not charge an offense under the Sherman Act, is based upon an erroneous construction of that statute.

The indictment, consisting of one count, was filed on December 2, 1918 (Rec., pp. 3-5). Colgate & Company, a corporation, is a producer of laundry soaps, toilet soaps, and other toilet articles, selling and shipping its products to wholesale and retail dealers throughout the United States. The indictment made no attempt to charge that there was a monopoly or an attempt to monopolize the trade in laundry soaps, toilet soaps, or the other articles described. Nor was it alleged that Colgate & Company was acting in concert with any other manufacturer of similar articles.

The indictment was limited to the transactions between Colgate & Company and its own customers and, as the District Court found, the conduct of Colgate & Company was confined to the exercise of its lawful right as a manufacturer to sell or not to sell as it saw fit (Rec., p. 13).

Colgate & Company maintained no system of restrictive contracts as in the *Miles* case (220 U. S., 373), or of "license contracts," as in the *Victor Talking Machine* case (243 U. S., 490) and *Boston Store* case (246 U. S., 8), or of restrictive notices, as in the *Bobbs-Merrill* case (210 U. S., 339) or the *Bauer* case (229 U. S., 1), by which it was sought to qualify the title of its customers or to keep the property sold under restrictions hostile

to the title and the right of alienation incident to it. This, as will be pointed out, was made clear by the District Court.

The acts from which the government sought to spell out the charge of an illegal combination were thus described in the indictment (Rec., p. 4):

> Colgate & Company (1) Distributed amongst the wholesale and retail dealers in its products lists, etc., showing uniform wholesale and retail prices, respectively, to be charged for its products; (2) Urged said dealers to adhere to such indicated prices in reselling its products; (3) Informed said dealers that it would refuse to sell its products to any dealer who did not resell at the indicated prices; (4) Requested said dealers to inform it of sales by dealers at prices other than those indicated (many such dealers informed defendant of many such sales); (5) Investigated and discovered, through its representatives, agents and employees, other sales by dealers at prices other than those indicated; (6) Placed the names of dealers ascertained to have made such sales at prices other than those indicated on so-called "Suspended Lists"; (7) Requested dealers ascertained to have made such sales to give it assurances and promises that they would in the future resell its products at the indicated prices; (8) Uniformly refused to sell to such dealers until they gave such assurances and promises (many such dealers gave to the defendant the requested assurances and promises and upon their receipt defendant sold to such dealers); (9) Requested similar asurances and promises from new customers (many such dealers gave the requested assurances and promises and defendant thereupon sold to them); (10) Freely sold its products to dealers with whom it had established accounts and who had not

> resold such products at prices other then those indicated. Dealers, with few exceptions, resold at the suggested prices.

The District Court sustained, on December 12, 1918, the Company's demurrer to this indictment upon the grounds stated in the opinion of the Court as follows (Rec., pp. 7, 8):

> "For reasons stated in the opinion filed on the 29th day of October, 1918, in the case of United States v. Colgate & Company, a corportion, No. 1294, the demurrer to this indictment is sustained in so far as it avers that the indictment fails to charge any offense under the Sherman Act or any other law of the United States. *So far as the substance of this indictment is concerned and the conduct or acts charged, the Court construes this indictment as it construed the former indictment in the above mentioned opinion.* The demurrer is overruled in so far as it raises questions as to the form of the indictment. Let judgment be entered in accordance with this opinion." (Italics ours.)

The explanation of the statement in the Court's opinion is that there had been an earlier indictment against Colgate & Company returned to the same Court in December, 1917 (Rec., p. 31). This former indictment had presented the same question; in fact, the allegations were identical, save as to a formal matter. The only new matter in the second indictment (now under consideration) is found in the paragraph next to the last, giving the names of three dealers (Rec., p. 5).

Demurrer to the first indictment was sustained by the District Court both as to substance and

form. (*United States* v. *Colgate & Company*, 253 Fed., 522). The Government then obtained the present indictment and Colgate & Company again demurred.

As the allegations in the second indictment, so far as the substance of the charge was concerned, were identical with those of the first indictment, the District Court referred to its former opinion as giving its construction of the second indictment and directed that certified copies of the first indictment and of the Court's opinion thereon should be made a part of this record (Rec., p. 34).

The opinion of the District Court which thus contained the definitive construction of the indictment under consideration is presented in the course of the discussion.

We may note at this point also the significant fact that none of the dealers, who it is contended are parties to an unlawful combination in restraint of trade and commerce, and who are likewise liable to the fines and penalties of the Sherman Act, if the asserted offense is established, are under indictment. It would be necessary to indict the greater part of the American wholesale and retail grocery and drug trade. For, if this indictment lies against Colgate & Company, it necessarily follows that a similar indictment would lie against the dealers, albeit they have done no more than to sell the products they had purchased and owned at a fair and reasonable price, in every way satisfactory to them, thus exercising their constitutional right of property. While such dealers are not before this Court, in person, their conduct is in issue equally with that of Colgate & Company.

SUMMARY OF POINTS.

We present the following points:

(1) On this writ of error, this Court does not construe the indictment. In deciding the question as to the construction of the statute, this Court takes the construction placed upon the indictment by the District Court.

(2) The District Court did not adopt the Government's construction of the indictment. The District Court did not construe the indictment as charging that the defendant had entered into any restrictive agreement whatever qualifying its customers' title to the goods or restricting their right to dispose of them as they chose. Colgate & Company merely reserved their undoubted right to refuse to make future sales.

(3) The Sherman Act does not deprive the manufacturer of his liberty to manufacture or not as he pleases, or to sell or not as he pleases.

(4) The conduct here involved does not constitute a combination in restraint of trade in violation of the Act.

ARGUMENT.

FIRST.—On this writ of error, this Court does not construe the indictment. In deciding the question as to the construction of the statute, this Court takes the construction placed upon the indictment by the District Court.

United States v. *Carter*, 231 U. S., 492, 493-495;

United States v. *Miller*, 223 U. S., 599, 602;

United States v. *Patten*, 226 U. S., 525, 535;

United States v. *Winslow*, 227 U. S., 202 217.*

As this Court said in *United States* v. *Miller*, *supra*:

> "* * * upon these direct writs of error we must accept that Court's interpretation of the indictments and confine our review to the question of the construction of the statute involved in its decision."

We emphasize this familiar rule, because we think it determines this controversy. The whole argument of the Government, as we view it, rests upon an entirely different construction of the indictment than that placed upon it by the District Court.

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*See, also: *United States* v. *Keitel*, 211 U. S., 370, 386, 398; *United States* v. *Biggs*, 211 U. S., 507, 518; *United States* v. *Mescall*, 215 U. S., 26, 31; *United States* v. *Stevenson*, 215 U. S., 190, 195-196; *United States* v. *Kissel*, 218 U. S., 601, 606; *United States* v. *Pacific & Arctic Co.*, 228 U. S., 87, 108.

SECOND.—The District Court did not adopt the Government's construction of the indictment. The District Court did not construe the indictment as charging that the defendant had entered into any restrictive agreement whatever qualifying its customers' title to the goods or restricting their right to dispose of them as they chose. Colgate & Company merely reserved their undoubted right to refuse to make future sales.

The Government selects one sentence from the opinion of the District Court and presents that sentence as its construction of the indictment (Govt's Brief, p. 6). This sentence the Government misconceives—as we view it—and the full and careful statement by the District Court of its construction of the indictment, the Government ignores or belittles (Govt's Brief, p. 8). It is inaccurate to say that the District Court adopted the construction placed upon the indictment by the Government.

The situation manifestly was this: Here was a manufacturer exercising its clear right to sell or not as it pleased. It had made no restrictive contracts whatever. It could not be charged with maintaining any system of restrictive contracts or notices attempting to restrict title such as had received the condemnation of this Court. But, unable to charge any such violation of law, the Government sought, by vague generalities and use of the words "agree" and "understanding" and "assurances and promises," to make a case, when in fact

there was no restrictive agreement whatever. And when the Government came to state the actual conduct of the defendant upon which it was sought to predicate an offense, the true situation became apparent. The District Court analyzed the indictment and its conclusion as to its meaning was very different from that which the Government seeks to ascribe to it.

The District Court was immediately impressed with the omissions from the indictment, highly significant of the exact import and effect, in fact and law, of the conduct in question. The absence of monopoly and of monopolizing intent, and of any concert with other manufacturers was commented upon (Rec., p. 10). The Court pointed out that the Company dealt with its own customers separately and that there was no attempt to secure any assurances from sub-purchasers (Rec., p. 10). After adverting to these and other considerations, and pointing out that the case was not within the decisions of this Court upon which the Government relied, the Court used the language, which the Government quotes as follows (Govt's Brief, p. 6):

> "In the view taken by the Court, the indictment here fairly presents the question of whether a manufacturer of products and shipped in inter-state trade, is subject to criminal prosecution under the Sherman Act, for entering into a combination in restraint of such trade and commerce, because he agrees with his wholesale and retail customers, upon prices claimed by them to be fair and reasonable, at which the same may be resold, and declines to sell his products to those who will not thus stipulate as to prices" (Rec., p. 11. The opinion is set forth twice in the record and the Government's citation is of the same paragraph as it appears at Rec., pp. 27-28).

But this is only a part of the statement of the District Court. The statement in the sentence quoted that the manufacturer "agrees" with his wholesale and retail customers must be read in the light of the context, for it is perfectly plain what the Court means in this use of the word "agrees." What the Court had in mind was not that there was any qualification of the customer's title or right to alienate, but simply a recognition of the manufacturer's right to decline to make future sales. The Court immediately goes on to say (Rec., p. 11):

> "This, at the threshold, presents for the determination of the Court, how far one may control and dispose of his own property; that is to say, whether there is any limitation thereon, if he proceeds in respect thereto in a lawful and *bona fide* manner. That he may not do so fraudulently, collusively and in unlawful combination with others, may be conceded. (*Eastern States Lumber Association* v. *United States*, 234 U. S., 600, 614). But it by no means follows that being a manufacturer of a given article he may not, without incurring any criminal liability, refuse absolutely to sell the same at any price, or to sell at a named sum to a customer, with the understanding that such customer will resell only at an agreed price between them, and should the customer not observe the understanding as to retail prices, exercise his undoubted right *to decline further to deal with such person.*" (Italics ours.)

The District Court's construction of the indictment, with respect to all the matters material in this discussion, is put beyond any possible controversy by the following definitive statement (Rec., p. 13):

"The pregnant fact should never be lost sight of, that no averment is made of any contract or agreement having been entered into whereby the defendant, the manufacturer, and his customers bound themselves to enhance and maintain prices, further than is involved in the circumstance that the manufacturer, the defendant here, refused to sell to persons who would not resell at indicated prices, and that certain retailers made purchases on this condition, whereas, inferentially, others declined so to do. No suggestion is made that the defendant, the manufacturer, attempted to reserve or retain any interest in the goods sold, or to restrain the vendee in his right to barter and sell the same without restriction. The retailer, after buying, could if he chose, give away his purchase, or sell it at any price he saw fit, or not sell it at all, his course in these respects being affected only by the fact that he might by his action incur the displeasure of the manufacturer who could refuse to make further sales to him, as he had the undoubted right to do. There is no charge that the retailers themselves entered into any combination or agreement with each other, or that the defendant acted other than with his customers individually.

This decisive construction of the indictment involves three controlling facts:

1. Colgate & Company did not reserve or retain, or attempted to reserve or retain, any interest in its products once they were sold and did not restrain the buyer in his right to barter and sell, without restriction, the products he had purchased and owned.

2. The buyer could sell the products he had purchased from the Company or not, as he pleased, to whom he pleased, at any price he pleased, or could decline to sell them at all, or could give them away, if he so pleased, his

course in these respects being affected only by the fact that he might by his action incur the displeasure of the Company which could refuse to make further sales to him.

(3) Colgate & Company acted only with its own customers individually, and there was no combination between the retailers themselves.

This was the construction of the first indictment, and the District Court has stated explicitly that it construes the present indictment precisely in the same way. The Government can gain nothing from the use of the word "agreed" in the single new sentence inserted in the second indictment (Rec., p. 5, next to last paragraph). This expression, in connection with the naming of three dealers in order to escape a formal objection, the District Court properly held did not affect in any way the substance of the charge, which it had already construed. And the only agreement suggested in this new sentence was made "as aforesaid," that is, in the manner and to the effect already set forth,—being the same in both indictments.

What was "agreed" must be read in the light of the District Court's construction of the charge. There was no agreement whatever which, if valid, would have constituted any restraint on alienation. There was no agreement whatever which, if valid, would in the slightest degree have affected or qualified the title of the purchaser or his freedom to sell. There was no "understanding" which amounted to any such agreement. There was no "agreement" which left the buyer in any different position from that definitely stated by the District Court.

For the position in which he was left, according to the tenor of the charge, is, for the purpose of this hearing, determined by the final construction placed by the Court below upon the charge.

So far as "prices" are concerned, there is no charge—as the District Court held—that any prices suggested were not fair and reasonable. And there was no "agreement" as to prices which qualified the right of the purchaser to sell at any price he saw fit.

The "agreement" or "understanding"—as the court below construed the indictment—was nothing but the recognition of the manufacturer's undoubted right not to make further sales to the customer if the latter had not theretofore sold at the fair and reasonable prices suggested by the manufacturer.

The customer could sell or not as he chose, or at any price he chose,—he had an unqualified title to what he bought—but if he did not sell at the fair and reasonable prices suggested by the manufacturer he would get no more goods. That was all there was of it. The "assurances" and "promises" described were only declarations of intention, not a qualification of title. The "condition" referred to only related to future sales, which the manufacturer could make or not as he saw fit.

It is this policy of refusing to sell which the Government seeks to attack and no circumlocution or reference to "combination" can obscure this real object. The decisive language of the District Court construing the indictment definitely fixes the charge under consideration. We repeat (Rec., p. 13):

> "No suggestion is made that the defendant, the manufacturer, attempted to reserve or retain any interest in the goods sold, or to restrain the vendee in his right to barter and sell the same without restriction. The retailer after buying could, if he chose, give away his purchase or sell it at any price he saw fit, or not sell it at all, his course in these respects being affected only by the fact that he might by his action, incur the displeasure of the manufacturer who could refuse to make further sales to him, as he had the undoubted right to do."

It was upon this definition of the limits of the charge that the District Court based its decision.

The District Court concluded that the essential question concerned the defendant's fundamental "right to deal lawfully with its own property, the handling, trading in and disposing of which is made the subject of this indictment" (Rec., p. 14). And the exercise of that fundamental right here involved, the validity of which exercise is challenged by this indictment, as the District Court said, was the refusal by the Company to sell to dealers failing to charge prices deemed to be fair and reasonable. The District Court concluded that such conduct on the part of the manufacturer does not constitute an offense under the Sherman Act or any other law of the United States and quoted extensively from the adjudicated cases in support of that precise conclusion.

On this definite construction of the indictment, we are thus brought to the proposition involved in the Government's appeal which, when reduced to its essential elements, is this:

> *That the manufacturer who simply declines to sell to dealers who fail to charge fair and reasonable resale prices, indicated by the man-*

ufacturer, which are of vital importance to the industry and trade, is subject to criminal prosecution as a violator of the Sherman Act, in case it appears that dealers generally resell at such fair and reasonable prices.

It is submitted that this proposition involves a most serious perversion of the statute. So far from being a proper construction of the Act, such a construction, to say the least, would throw its constitutional validity into grave doubt. This is not a case of a public calling or of a business affected with a public interest, and the ordinary principle of liberty, conserving the right of every man freely to deal or refuse to deal with his fellow men, that is, the free and untrammelled right to contract or not to contract, applies. We believe that the proposition now advanced by the Government is unwarranted by judicial decisions and opposed to sound reasoning;—that its adoption would be a serious menace to the business interests of the country and that, instead of safe-guarding the public, it would convert the Sherman Act by a process of construction into a vehicle of grave injury.

The Government cannot be permitted to beg the question by asserting "combination" or by assuming that there is a prohibited combination and that the defendant is attempting to justify itself against the prohibition.

We are not attempting to justify combination. There is no combination. We contend that the indictment, as construed by the District Court, fails to charge combination within the statute.

THIRD.—The Sherman Act does not deprive the manufacturer of his liberty to manufacture or not as he pleases, or to sell or not as he pleases.

It is of course true that the acts which the statute prohibits are not to be removed from its prohibition by a finding that they were reasonable (*American Tobacco case*, 221 U. S., 106, 179, 180), and that a combination or conspiracy condemned by the act is not saved by good motives or good results (*Thomsen* v. *Cayser*, 243 U. S. 66, 85, 86). But the questions remain whether the acts alleged *are* prohibited by the statute, and whether there *is* a "combination" or a "conspiracy" condemned by the act. There is always the duty to interpret the statute,—the duty defined in the Standard Oil case as arising from the general character of the terms employed—so that the words "restraint of trade should be given a meaning which would not destroy the individual right to contract" (see *American Tobacco case*, 221 U. S., 106, 180).

We do not find that any such proposition as the Government seeks to establish through this indictment has ever been upheld by this Court. We give a few of the many citations showing the continued recognition of the general principle to which we refer.

Thus, Mr. Justice Peckham, in delivering the opinion of this Court in the *Trans-Missouri* case (166 U. S., 290, 320), distinguished the case of a public calling from an industry or trade of the sort here involved:

> "The trader or manufacturer, on the other hand, carries on an entirely private business,

> and can sell to whom he pleases; he may charge different prices for the same article to different individuals; he may charge as much as he can get for the article in which he deals, whether the price be reasonable or unreasonable; he may make such discrimination in his business as he chooses, and he may cease to do any business whenever his choice lies in that direction."

This, of course, was said long before the enactment of the special provisions of the Clayton Act (inapplicable here) with respect to discrimination in prices, but the statement serves to illustrate the general conception of the individual liberty which survived the Sherman Act in the view of the Court, at the time of its most drastic application.

Other expressions are these:

> "Further, the general language of the Act is also limited by the power which each individual has to manage his own property and determine the place and manner of its investment. Freedom of action in these respects is among the inalienable rights of every citizen."
>
> Brewer, J., in *Northern Securities Co.* v. *United States*, 193 U. S., 197, 361.

> "From the review just made it clearly results that outside of the restrictions resulting from the want of power in an individual to voluntarily and unreasonably restrain his right to carry on his trade or business and outside of the want of right to restrain the free course of trade by contracts or acts which implied a wrongful purpose, freedom to contract and to abstain from contracting and to exercise every reasonable right incident thereto became the rule in the English law."

Standard Oil Co. v. *United States*, 221 U. S., 1, 56.

"Indeed, the necessity for not departing in this case from the standard of the rule of reason which is universal in its application is so plainly required in order to give effect to the remedial purposes which the act under consideration contemplates, and to prevent that act from destroying all liberty of contract and all substantial right to trade, and thus causing the act to be at war with itself by annihilating the fundamental right of freedom to trade which, on the very face of the act, it was enacted to preserve, is illustrated by the record before us."

United States v. *American Tobacco Co.*, 221 U. S., 106, 180.

"A retail dealer has the unquestioned right to stop dealing with a wholesaler for reasons sufficient to himself, and may do so because he thinks such dealer is acting unfairly in trying to undermine his trade."

Eastern States Retail Lumber Dealers' Association v. *United States*, 234 U. S., 600, 614.

"An individual manufacturer or trader may surely buy from or sell to whom he pleases, and may equally refuse to buy from or to sell to anyone with whom he thinks it will promote his business interests to refuse to trade."

Dueber Watch-Case Manufacturing Co. v. *E. Howard Watch & Clock Co.*, C. C. A., Second Circuit, 66 Fed., 637, 645.

"There was no law which required the coal company to sell its coal to Sharp on the terms which he prescribed, or to sell it to him at all. It had the undoubted right to refuse to sell its coal at any price. It had the right to fix the prices and the terms on which it would sell it, to select its customers, to sell to some and to refuse to sell to others, to sell to some at one price and on one set of terms, and to sell to others at another price and on different set of terms. There is nothing in the Act of July 2, 1890, which deprived the coal company of any of these common rights of the owners and venders of merchandise, and if it did not combine with some other person or persons so to do its refusal to sell its coal to Sharp unless he would withdraw his advertisement of a deduction in his retail price of it was not the violation of the Sherman anti-trust act charged in the indictment."

Union Pacific Coal Co. v. *United States*, C. C. A., Eighth Circuit, 173 Fed., 737, 739.

"Before the Sherman Act it was the law that a trader might reject the offer of a proposing buyer, for any reason that appealed to him; it might be because he did not like the other's business methods, or because he had some personal difference with him, political, racial, or social. That was purely his own affair, with which nobody else had any concern. Neither the Sherman Act, nor any decision of the Supreme Court construing the same, nor the Clayton Act, has changed the law in this particular. We have not yet reached the stage where the selection of a trader's customers is made for him by the government."

Great Atlantic & Pacific Tea Company v. *Cream of Wheat Company*, C. C. A., Second Circuit, 227 Fed., 46, 49.

It would be subversive of the fundamental purpose of the Sherman Act to interpret it as curtailing the freedom of the manufacturer to make and sell or not, as he pleases. In construing the Act so as to remedy the evils at which it is aimed, it is not to be caused "to be at war with itself by annihilating the fundamental right of freedom to trade which, on the very face of the Act, it was enacted to preserve" (American Tobacco Company case, supra).

The necessary implications of the principle are equally clear.

The right of the manufacturer to make and sell, or not, as he pleases, embraces the right to decline to sell to a dealer who does not charge fair and reasonable resale prices.

We might say that he could refuse to sell if dissatisfied with the dealer's prices, whatever they were, but there can be no doubt of the proposition as we have put it.

This would be so, even if fair and reasonable resale prices were not important to the industry, and certainly, as this Court said in the *Eastern States Retail Lumber Dealers* case, *supra*, he is not bound to sell to one who he thinks is acting unfairly and is trying to undermine his trade.

Moreover, it does not detract from the manufacturer's rights, and the security of his position as an entirely lawful one in refusing to sell, that he indicates—as the Government puts it—to the deal-

er what he considers to be fair and reasonable resale prices.

If he may sell or decline to sell as he pleases; and if he regards resales at other than fair and reasonable prices as injurious to the industry, certainly he may decline to sell to one who resorts to such injurious methods in his trading, and just as clearly he may tell such a dealer why he thinks his methods are injurious and what he considers to be proper methods. He may do this quite as legally with respect to prices as with regard to anything else that he thinks unfair and unreasonable. He loses no right either by complaining of objectionable conduct or by stating what he considers to be fair and reasonable resale prices. In saying that he will not continue to sell, if the dealer does not charge fair and reasonable resale prices, he is merely announcing his intention to do what he has complete right to do.

The greater includes the less, and the manufacturer is not deprived of his right to refuse to sell, because he wishes to exercise the right in the case of a dealer whose practice is contrary to fair dealing or because he gives his reason.

Nor is this right of the manufacturer one which can be exercised only in a single case or sporadically.

In the nature of things, he can exercise it with respects to all dealers whose methods he deems to be injurious to his trade. He may not like the style of the dealer's advertising; he may not like his selling methods; he may not like his unfair prices. The individual liberty of the manufacturer is not curtailed by the mere number of instances in which it is exercised. If he may exercise his right as to

A, it is certainly no objection if he exercises the same right without discrimination as to B and C.

There is nothing, then, in the charge that the manufacturer "uniformly" refused to sell to dealers who failed to charge fair and reasonable resale prices. This characterization does not alter his right, and the question remains precisely the same: Under what law is he compelled to sell, if he does not so choose?

There is no statute which compels the manufacturer to sell; there is no principle of the common law which compels him to sell. There is no statute which denies him the right to decline to sell for the particular reason that he does not like the dealer's failure to ask fair and reasonable resale prices. There is no principle of the common law which makes his ground for refusal to sell a destruction of his right to sell or not as he pleases.

FOURTH.—The conduct here involved does not constitute a combination in restraint of trade in violation of the Act.

It is manifest that the cases cited and relied upon by the Government do not support its contention. This is so for the reason that the fundamental question presented under the general law in the decided cases was whether an actual restraint imposed upon the right of alienation of movables sold was valid and could be enforced. The precise question was whether the owner of movables could sell them and lawfully impose and enforce a restraint on the price of future sales by the purchaser. The owner of such property claimed the

right so to qualify the title of purchasers. The Court decided, in effect, that such a restraint upon the right of the buyer of movables to sell, without restriction, what he has purchased and owns is invalid at common law and under the Sherman Act because inconsistent with the prohibition against restraint of trade and monopoly contained in that Act and obnoxious to the public interest.

In the present case, however, the indictment itself, and the authoritative construction of it by the District Court, conclusively establish that Colgate & Company did not impose any restraint whatsoever upon the right of alienation of its purchasers. Each buyer received a full and unqualified title and possessed complete and unrestricted liberty of alienation with respect to the products he had purchased and owned. The company did not sell its products and reserve or retain, or attempt to reserve or retain, any interest in them and did not restrain the buyer in his right to sell, without restriction, what he had purchased and owned. The buyer was entirely free to sell or not as he pleased, to whom he pleased, upon any terms and at any price he pleased, and to decline to sell at all, if he so pleased. (Opinion, Rec., p. 13.)

It is not the imposition and enforcement of a restraint upon the right of alienation of movables sold—*which is the unlawful restraint of trade, whether effected by contract, combination or conspiracy*—that is involved here, but the exercise of the fundamental right of the owner of movables to sell or not, as he pleases, to whom he pleases, who, when he *does* sell, gives to each buyer a full and unqualified title and complete liberty of alienation. Hence, we assert with confidence that the

cases upon which the Government relies do not apply.

The doctrine is now indisputable that under the general law the owner of movables cannot grant the title thereto by sale for a full price satisfactory to him and lawfully retain the incidents of it. (*Boston Store* v. *American Graphophone Co.*, 246 U. S., 8, 20-21; *United States* v. *United Shoe Machinery Co.*, 247 U. S., 32, 58). Such restraints upon future alienation "have been hateful to the law from Lord Coke's day to ours, because obnoxious to the public interest." (*Straus* v. *Victor Talking Machine Co.*, 243 U. S., 490, 501.) And all of the cases cited involved the right of a seller of movables to impose and enforce such a restraint on the price of future sales, which right was asserted under the general law by virtue of contract, on the one hand, and under the patent and copyright laws by virtue of the monopoly thereby conferred, on the other hand.

The question arose in *Bobbs-Merrill Co.* v. *Straus* (210 U. S., 339), with respect to a copyrighted book. The owner of the copyright had attempted by notice to impose a restriction on resales, and brought suit to enforce the restriction.

The Court pointed out that what the complainant contended for *"embraces not only the right to sell the copies, but to qualify the title of a future purchaser"* (*id.*, p. 351). It was held that the copyright did not go so far.

What the owner of the copyright attempted to do by notice in the *Bobbs-Merrill* case, the manufacturer sought to accomplish by a system of restrictive contracts in the *Miles* case (220 U. S., 373).

That case dealt simply with the validity of contracts by which dealers were restrained in selling

what they owned. The Miles Medical Company had adopted a system of restrictive contracts with wholesalers and retailers, by which trade in the articles manufactured was limited to those who became parties to one or the other form of contract. Under the contract with the wholesalers, which was called a consignment contract, the consignee agreed "to sell only to the designated retail agents of said proprietor, as specified in lists of such retail agents furnished by said proprietor, and alterable at the will of said proprietor." The retailers were required to sign a contract wherein the purchaser, called a retail agent, agreed not to sell the products in question to any one at less than the full retail price as fixed by the manufacturer, and further, not to sell at any price to wholesale or retail dealers who were not accredited agents of the manufacturer (*id.*, pp. 396, 399).

Suit was brought by the Miles Medical Company against a wholesaler who had refused to enter into the required contract, and who was charged with inducing those who had made the contract to violate the restriction (*id.*, p. 394). The question, as the Court said, was as to "the validity of the restrictive agreements" (*id.*, see p. 395). This Court fully recognized the right of the manufacturer to sell or not, as he pleased. The decision was that while he had this complete liberty, he could not thereby, in case he *did* sell, impose upon his purchasers the described restraint upon the right to sell the property which they had bought. It was the restraint upon the right of alienation of property sold, not the right of the manufacturer to refuse to sell, that was involved. As the Court said:

> "But because a manufacturer is not bound to make or sell, it does not follow that in case of sales actually made he may impose upon purchasers every sort of restriction" (*id.*, p. 404).

As Judge Lurton said in Park & Sons Co. v. Hartman (153 Fed., 24, 39), which was approved in the Miles case:

> "The restrictions imposed by complainant upon sales and resales, if valid at all, are only so because they constitute personal contracts upon which an action will lie only against the contracting party. * * * *A prime objection to the enforcibility of such a system of restraint upon sales and prices is that they offend against the ordinary and usual freedom of traffic in chattels or articles which pass by mere delivery.*
>
> "*The right of alienation is one of the essential incidents of a right of general property in movables, and restraints upon alienation have been generally regarded as obnoxious to public policy, which is best subserved by great freedom of traffic in such things as pass from hand to hand.* General restraint in the alienation of articles, things, chattels, except when a very special kind of property is involved, such as a slave or an heirloom, has been generally held void." (Italics ours.)

It was accordingly concluded in the *Miles* case that "whatever right the manufacturer may have to project his control beyond his own sales must depend, not upon an inherent power incident to production and original ownership, but upon agreement" (p. 405). The question then was with reference to the validity of the system of restrictive contracts before the Court. As the Court said:

> "Nor are we dealing with a single transaction, conceivably unrelated to the public interest. The agreements are designed to maintain prices, after the complainant has parted with the title to the articles, and to prevent competition among those who trade in them" (p. 407).

And again it is said:

> "If there be an advantage to a manufacturer in the maintenance of fixed retail prices, the question remains whether it is one which he is entitled to secure by agreements restricting the freedom of trade on the part of dealers who own what they sell" (*id*).

The final conclusion was that "where commodities have passed into the channels of trade and are owned by dealers, the validity of agreements to prevent competition and to maintain prices is not to be determined by the circumstance whether they were produced by several manufacturers or by one, or whether they were previously owned by one or by many. The complainant having sold its product at prices satisfactory to itself, the public is entitled to whatever advantage may be derived from competition in the subsequent traffic." The restrictive provisions of the contracts sought to be enforced by the bill "were invalid both at common law and under the Act of Congress of July 2, 1890" (*id.*, p. 409).

The *Sanatogen* case (*Bauer* v. *O'Donnell*, 229 U. S., 1) did not arise under the Sherman Act, but involved this question, as stated by the Court:

> "May a patentee by notice limit the price at which future retail sales of the patented ar-

> ticle may be made, such article being in the hands of a retailer by purchase from a jobber who has paid to the agent of the patentee the full price asked for the article sold?" (*id.*, p. 11.)

The Court pointed out that the purpose could not be accomplished by agreements concerning articles not protected by the patent monopoly and that this had been settled in the *Miles* case. It was also pointed out that a right had not been conferred by the copyright statute upon the owner of a copyright to limit the resale price of a copyrighted book by a notice to the purchaser. (*Bobbs-Merrill Co.* v. *Straus*, *supra.*) The remaining question was whether the patent law conferred upon the patentee the right to impose this restriction upon future retail sales by notice. And the Court held that it did not.

This case in no way involves the right of a patentee to refuse to sell, and gives no color whatever to the suggestion that if he had refused to sell to those who in his judgment were guilty of conduct injurious to the trade, he would be guilty of a crime, or that in case the dealer appreciated the importance of maintaining fair and reasonable prices and voluntarily sold at such prices he would be regarded as a party with the manufacturer to a combination or conspiracy, condemned by the Sherman Act.

The *Sanatogen* case merely held, that neither by contract nor by notice, could the owner, who had parted with the title to the product, restrain alienation of the product by those who had acquired the title.

The case of *Straus* v. *Victor Talking Machine Company* (243 U. S., 490), dealt with contracts

called "license contracts," which were attached to patented machines. In other words, it was simply a case of an effort by the manufacturer who had disposed of his product for a full price to place restraint upon its further alienation by a restrictive contract, and this agreement was not within the monopoly granted by the patent law.

Immediately following the *Straus* case the Court decided that of *Motion Picture Patents Company* v. *Universal Film Manufacturing Company* (243 U. S., 502), which involved the power of the patentee to sell and by notice to impose restrictions upon the title of the vendee, and such power was again denied.

In the recent case of *Boston Store of Chicago* v. *American Graphophone Company* (246 U. S., 8), these decisions were authoritatively reviewed. The American Graphophone Company, manufacturing under certain letters patent, maintained a system of restrictive contracts relating to resale prices, and the suit was brought to enjoin the Boston Store from violating the provisions of one of these contracts. The case came to this court on certified questions. In the course of his review of the cases, it was said by the Chief Justice (pp. 21-25):

> "In *Dr. Miles Medical Company* v. *Park & Sons Co.*, 220 U. S., 373, it was decided that under the general law the owner of movables (in that case, proprietary medicines compounded by a secret formula) could not sell the movables *and lawfully by contract fix a price at which the product should afterwards be sold*, because to do so would be at one and and the same time to sell and retain, to part with and yet to hold, to project the will of the seller so as to cause it to control the movable

parted with when it was not subject to his will because owned by another, and thus to make the will of the seller unwarrantedly take the place of the law of the land as to such movables. It was decided that the power to make the limitation as to price for the future could not be exerted consistently with the prohibitions against restraint of trade and monopoly contained in the Anti-Trust Law. * * *

* * * * * * *

"In *Straus* v. *Victor Talking Machine Company*, 243 U. S., 490, the right to fix a permanent marketing price at which phonographs should be re-sold after they had been sold by the patentee was considered. Basing its action upon the substance of things, and disregarding mere forms of expression as to license, etc., the court held *that the contract was obviously in substance like the one considered in the Miles Medical case* and not different from the one which had come under review in *Bauer* v. *O'Donnell*. Thus brushing away disguises resulting *from forms of expression in the contract* and considering it in the light of the patent law, it was held that the attempt to regulate the future price or the future marketing of the patented article was not within the monopoly granted by the patent law in accordance with the rule laid down in *Bauer* v. *O'Donnell*.

"The general doctrines, although presented in a different aspect, were considered in *Motion Pictures Patent Company* v. *Universal Film Manufacturing Company*, 243 U. S., 502. The scope of the case will be at once made manifest by the two questions which were certified for solution. 'First. May a patentee or his assignee license another to manufacture and sell a patented machine and by a mere notice attached to it limit its use by the purchaser or by the purchaser's lessee, to films which are

no part of the patented machine, and which are not patented? Second. May the assignee of a patent, which has licensed another to make and sell the machine covered by it, by a mere notice attached to such machine, limit the use of it by the purchaser or by the purchaser's lessee to terms not stated in the notice but which are to be fixed, after sale, by such assignee in its discretion?' The case therefore directly involved the general question of the power of the patentee to sell and yet under the guise of license or otherwise to put restrictions which in substance were repugnant to the rights which necessarily arose from the sale which was made. In other words, it required once again a consideration of the doctrine which had been previously announced in *Henry* vs. *Dick* and of the significance of the monopoly of the right to use conferred by the patent law which had been reserved in *Bauer* v. *O'Donnell*. Comprehensively reviewing the subject, it was decided that the rulings in *Bauer* v. *O'Donnell* and *Straus* v. *Victor Talking Machine Company* conflicted with the doctrine announced and the rights sustained in *Henry* v. *Dick*, and that case was consequently overruled. Reiterating the ruling in the two last cases it was again decided that as by virtue of the patent law one who had sold a patented machine and received the price and had thus placed the machine so sold beyond the confines of the patent law, could not by qualifying restrictions as to use keep under the patent monopoly a subject to which the monopoly no longer applied.

"Applying the cases thus reviewed there can be no doubt that the alleged price-fixing contract disclosed in the certificate was contrary to the general law and void. There can be equally no doubt that the power to make it in derogation of the general law was not within

> the monopoly conferred by the patent law, and that the attempt to enforce its apparent obligations under the guise of a patent infringement was not embraced within the remedies given for the protection of the rights which the patent law conferred."

None of these decisions, we submit, gives countenance to the Government's contention in the present case.

The Government also cites the case of *United States* v. *Kellogg Toasted Corn Flake Co.* (222 Fed., 725). But, in that case, there was a restriction attempted to be imposed upon the right of alienation as an express condition of the sale, and notice was given that re-sale at a lower price than that fixed by the manufacturer would be regarded as "an infringement on our patent rights" and would render "the vendor liable to prosecution as an infringer." The pith of the decision lay in the invalidity of the restrictions sought to be imposed upon the title by the notices used, and the case was deemed to be within the ruling of *Bauer* v. *O'Donnell*, *supra*. The Court made it clear that its decision was not intended to conflict with the rule that the defendants were "not required to sell to anyone they do not wish" (*id.*, 729).

Reference is also made by the Government to the charge of the District Court to the jury in *Frey & Son* v. *The Welch Grape Juice Co.* (in the District of Maryland) and *Lowe Motor Supplies Co.* v. *Weed Chain Tire Grip Co.* (in the Southern District of New York), respectively, not reported. The case of *Frey & Son* v. *The Welch Grape Juice Co.* is now before the Circuit Court of Appeals in the Fourth Circuit (on re-argument), and whatever

may be said with respect to the charge of the Judge in the case in the Southern District of New York, there is little reason for doubt as to the position of the Circuit Court of Appeals of the Second Circuit (see *Great Atlantic & Pacific Tea Co.* v. *Cream of Wheat Co.*, C. C. A., Second Circuit 227 Fed., 46; a note of which, with quotation from the opinion, is found in the appendix to this brief.)

We do not, of course, dispute the proposition that an unlawful restraint of trade may be effected by contract, combination or conspiracy. But the question always remains, in each case, whether the conduct involved constitutes an unlawful combination in restraint of trade. And we ask wherein *does* the conduct of Colgate & Company and of its dealers, charged in this indictment as construed by the District Court, constitute an unlawful combination?

It has been established that there is present no unlawful restraint of trade by reason of the imposition and enforcement of a restraint upon the right of alienation of movables sold, because each buyer received a full and unqualified title and possessed complete freedom of alienation.

It cannot be successfully maintained that an unlawful restraint of trade was effected through the refusal of the Company to sell to dealers charging unfair and unreasonable prices, since such refusal was merely the exercise of a fundamental right.

It seems to us to be an utter confusion of thought to treat a refusal to sell as being in the same category with a contract between dealers and manufacturers to maintain resale prices. In the latter case

there is a sale, the title passes, and the contract seeks to restrict the dealer in the sale of what he owns, that is to say, to deprive him of the *right* to name his own price on the sale of his own goods. That is the vice of the restrictive contract.

On the other hand, a refusal to sell cannot qualify the title of an article sold, since no title passes. The dealer is not deprived of the right to name terms of his own sales. It is merely the exercise of the manufacturer's undoubted right not to sell, if he does not choose to sell. He may do this because he does not like the dealer's methods in reselling, or because he does not wish to trade with the dealer at all.

As Judge Hough said in the *Cream of Wheat* case (224 Fed., 566, 572):

> "But mere abstention from dealing can not *per se* be price fixing, because the price is not made to depend upon any contract or agreement even thought by the parties to be enforcible. To call defendant's acts price fixing is inaccurate, and evades obvious legal questions, viz., whether defendant has the right to decline business, and whether it is anybody's business why the business is declined."

It is alleged that the dealers, for the most part, resell at the indicated prices, and the Government insists that this is sufficient to make out the statutory offense.

The indicated prices must be taken, as we have seen, to be fair and reasonable prices. In what, then, resides the alleged illegality, the violation of law? It is not, as we have seen, in the manufacturer's refusal to sell. But is it not competent for a dealer to recognize the reasonable require-

ments of his own trade? Does he become a criminal because he voluntarily adheres to a fair and reasonable resale price? Does the mere recognition or adoption by a dealer of what he believes to be a reasonable course of conduct on his part, which he takes unfettered by any restrictive contract, subject him to the pains and penalties of the Sherman Law?

We, of course, do not contest the proposition that a combination need not be shown by direct evidence (*Eastern States Retail Lumber Dealers Association* v. *United States, supra*, 612; *Thomson* v. *Cayser, supra*). The combination condemned by the Act is a fact, and like other facts may be established by any competent proof sufficient for the purpose. But the "combination" must be properly charged. The mere fact that there is a stable or uniform resale price is insufficient to establish a "combination" or "conspiracy" under the Sherman Act.

In every community, among both manufacturers and dealers, there are illustrations of standard and uniform prices for similar products which afford no basis for the charge of criminal "combination" or "conspiracy." The daily newspapers in our cities offer a familiar example, and there are many others. Many circumstances, principally economic, may tend to uniformity of methods or prices without the prohibited and criminal combination.

The present case does not permit such inferences as may be drawn in the case of the concerted action of competing manufacturers or of dealers in the products of different manufacturers. We are considering the case of a single manufacturer merely

exercising an unquestionable legal right and of dealings in his products alone. The case pivots on the manufacturer's refusal to sell, an entirely lawful proceeding. He cannot, as we have seen, be deemed to have lost that right because he thinks that fair and reasonable prices are essential to the industry and refuses to sell to those who fail to charge such prices. And, if the manufacturer has this right, the fact that dealers actually sell at such fair and reasonable prices affords no basis for a finding of combination or conspiracy. The dealers have no relation to each other. Each one deals with the manufacturer. Each one, unrestrained in his liberty of action by any contract or qualification of his title, resells at prices which are fair and reasonable. He may sell or not as he chooses; and how can he be said to be guilty of entering into an alleged conspiracy because he decides to sell at such prices? The case has no analogy to one where the manufacturer establishes a series of interlocking restrictions through a system of contracts with his dealers, restraining their liberty of resale; in such case it is the system of contracts that effects the combination. But certainly, in the absence of such contracts, there is no basis for such inferences of combination as may be drawn from the concerted action of several manufacturers or of dealers selling commodities produced by several manufacturers.

Take the typical case. A dealer buys from the manufacturer. He knows what is a fair and reasonable resale price. He knows that a fair and reasonable resale price is necessary for the prosperity of the trade and the proper service of the

public. He, like the manufacturer, can sell to whom he pleases, and at what price he pleases. He knows that the manufacturer will not continue to sell to those who resort to unfair methods and unfair prices and he thinks that the manufacturer is entirely right. He resells at the fair price. Before the dealer resold at the fair resale price, the manufacturer was clearly within his rights. Does the resale make both the manufacturer and the dealer transgressors of the law?

Again, the dealer has nothing to do with other dealers. Yet, if nine dealers resell at a price known by all to be fair and reasonable, and treated by them as such, and one dealer sells at a different price, are the nine to be regarded as conspirators under the Sherman Act, and is the one who sells at more or less than a fair and reasonable price the only one who is obedient to the law? And if he sees the error of his ways, and concludes that it would be better for the industry to make his sales at what is recognized in the trade as a fair and reasonable price does he then become a criminal? As the manufacturer is entitled to sell or not, as he pleases, and to refuse to sell to dealers who resort to methods injurious to the industry and trade, so also a dealer has a right to sell or not, as he pleases, and the mere fact that the dealer, unrestrained by contract, sees fit to recognize the justice of the situation and to make his sales only at fair and reasonable prices furnishes no ground for regarding either the manufacturer or the dealer as a violator of the statute. And what one dealer may do in such a case, any other dealer, or all other dealers, may do in like manner.

There is no combination of manufacturers, and there is no combination of dealers. There is the entirely legal relation of manufacturer and customer, and the act of each, incidental to this relation, is entirely within his rights.

We see, therefore, that the Government's proposition is wholly untenable, if the adherence by the dealer to the fair and reasonable prices indicated by the manufacturer is an act based on his own judgment as to the fairness and reasonableness of the prices, and as to the advisability of his action in the light of a sound merchandising policy and the true interests of the public.

It may be urged, however, that in fact the adherence of the dealer to such prices was compelled by the threatened action of the manufacturer to refuse further supplies. To this argument, it may be answered:

FIRST.—That the Government's proposition does not exclude the voluntary and entirely legal action of the dealer in the manner and upon the grounds above stated;

SECOND.—That the transaction is between the single manufacturer and each dealer separately, and there can be no combination between them within the meaning of the statute unless the dealer himself is a guilty party to it, and he cannot be charged with being gulity of illegal conduct under the act, unless his action is both of a voluntary and illegal character;

THIRD.—That it in no way derogates from the entire legality of the manufacturer's attitude and policy to describe it as a threat; and,

FOURTH.—That the question still remains—exactly the one already discussed, whether the manufacturer may refuse to sell to a dealer who resorts to injurious practices by failing to maintain fair and reasonable prices. If he may so refuse, he may of course state the grounds of his refusal (entirely legal grounds), and he may announce that he will refuse (that is, he will do what he has a right to do).

If, in fact, the dealer enjoys a full title in what he buys, and is under no restrictive contract qualifying that title, his freedom to alienate is complete. The so-called "threat" is simply the assertion of the manufacturer's constitutional liberty thereafter to withhold his goods from sale, and there is no restraint whatever.

Suppose, for example, that the manufacturer declined to sell but gave no reason for it, would he be in any better case? And if so, why? Does the reason, or the statement of it, invalidate his action or impair his liberty? The truth is that all dealers must satisfy their manufacturer or they must go without goods. The freedom to which they are entitled attaches to the goods they buy and own. Whether they will have further supplies must necessarily depend upon the manufacturer's judgment.

Similarly, the assertion of "suppression of competition between dealers" is without legal significance, if the alleged "suppression" consists in the action of the manufacturer in refusing to sell to customers whose conduct is prejudicial to the industry. There is no evil in maintaining this necessary liberty; in fact, sound public policy supports it.

"Combination" is a term which fits the concerted action of rival producers. It fits the concerted action of competing dealers. It may fit a system of restrictive contracts tying the dealers together through interlocking restraints imposed by their mutual stipulations qualifying their title. But the term "combination" does not fit—and no zeal of prosecuting officers can make it fit—the case where a manufacturer simply exercises his legal right to refuse to sell upon stated grounds; where he simply exercises this right because he objects to unreasonable and injurious practices of his would-be customers; where there is no concert whatever among the dealers themselves; where the manufacturer thus deals with each dealer separately and simply as a customer; and where he is acting as a single manufacturer, pursuing his own individual policy in his own business, without any concert with other manufacturers of similar articles.

There is, in truth, upon the facts stated in the indictment, no combination whatever, and, as we view it, there is here simply a resort to the unheard of process of attempting to create a combination by a legal fiction in order to apply a criminal statute.

The judgment of the District Court should be affirmed.

CHARLES E. HUGHES,
CHARLES WESLEY DUNN,
MASON TROWBRIDGE,
of Counsel for Defendant-in-Error.

APPENDIX.

Great Atlantic & Pacific Tea Co. v. *Cream of Wheat Co., C. C. A., Second Circuit, 227 Fed., 46, decided on November* 10, 1915 (*affirming 224 Fed., 566*).

Defendant was engaged in the business of selling selected purified wheat middlings put up in packages under the name of "Cream of Wheat," using less than one per cent. of the total purified middlings bought and sold in this country. It confined its sales exclusively to wholesalers, with the exception hereinafter noted, charging two prices, viz., $3.95 per case in car load lots and $4.10 per case in less than car load lots. To each wholesale purchaser it sent a circular requesting such purchaser to sell to the retail trade only at a price of $4.50 per case, adding to this request the statement that it did not intend to waive the right to refuse at any time to supply any dealer failing to comply with any request made by it, the infringement of which defendant might deem prejudicial to the interests of the consumer, to defendant's own business, or to the trade at large. Plaintiff was a large retailer of grocery products. Notwithstanding the policy of confining its sales exclusively to wholesalers, defendant sold its product direct to plaintiff, for a time, at wholesale rates and in large quantities with the request that, in making sales over the counter, no smaller price should be charged than the small retailer had to ask in order to get a fair profit, viz., not less than 14 cents the package. On or about a certain date plaintiff began to sell "Cream of Wheat," at retail, for 12 cents per package, whereupon defendant refused

to sell its product to plaintiff at any price or in any quantity whatever. Plaintiff then sought an injunction under the Clayton Act compelling defendant to continue to sell "Cream of Wheat" to plaintiff, as defendant sells to the wholesalers who trade with it. Plaintiff contended that defendant's course of conduct was a violation of the Sherman Act and that under the Clayton Act this suit may be instituted and maintained by it. The motion for the injunction was denied by District Judge Hough (224 Fed., 566) and an order entered accordingly. Upon appeal, the Circuit Court of Appeals, Second Circuit, affirmed this order. The appellate court, speaking through Circuit Judge Lacombe, after stating that it was unnecessary to go into the question whether this suit may be instituted and maintained by plaintiff under the Clayton Act, held that the plaintiff was not entitled to the relief ask for, since it is no offense against common law, statutes, public policy, or good morals for a trader to confine his sales to wholesalers. To quote the expressive language of Judge Lacombe:

> "Much has been said about the reason why defendant ceased to treat complainant as an exception to its rule; failure of the latter to live up to some arrangement, etc. All that seems to be wholly immaterial. The business of defendant is not a monopoly, or even a quasi-monopoly. Really it is selling purified wheat middlings, and its whole business covers only about one per cent. of that product. It makes its own selection of what by-products of the milling process it will put up, and sells what it puts up under marks which tell the purchaser that these middlings are its own selection. It is open to Brown, Jones, and

Robinson to make their selections out of the other ninety-nine per cent. of purified middlings and put them up and sell them; possibly one or more of them may prove to be better selectors than defendant, or may persuade the public that they are. It is difficult to see how into such a business as that any novel and exceptional rule of law is to be imported. We had supposed that it was elementary law that a trader could buy from whom he pleased and sell to whom he pleased, and that his selection of seller and buyer was wholly his own concern. 'It is a part of a man's civil rights that he be at liberty to refuse business relations with any person whomsoever, whether the refusal rests upon reason, or is the result of whim, caprice, prejudice or malice.' Cooley on Torts, page 278. See also, our opinion in Greater New York Film Co. v. Biograph Co., 203 Fed., 39, 121 C. C. A., 375.

"Before the Sherman Act it was the law that a trader might reject the offer of a proposing buyer, for any reason that appealed to him; it might be because he did not like the other's business methods, or because he had some personal difference with him political, racial, or social. That was purely his own affair; with which nobody else had any concern. Neither the Sherman Act, nor any decision of the Supreme Court construing the same, nor the Clayton Act, has changed the law in this particular. We have not yet reached the stage where the selection of a trader's customers is made for him by the government" (pages 48-49).

UNITED STATES *v.* COLGATE & COMPANY.

ERROR TO THE DISTRICT COURT OF THE UNITED STATES FOR THE EASTERN DISTRICT OF VIRGINIA.

No. 828. Argued March 10, 1919.—Decided June 2, 1919.

On a writ of error under the Criminal Appeals Act, this court must confine itself to the question of the construction of the statute involved in the decision of the District Court, accepting that court's interpretation of the indictment. P. 301.

In the absence of any intent to create or maintain a monopoly, the Sherman Act does not prevent a manufacturer engaged in a private business from announcing in advance the prices at which his goods may be resold and refusing to deal with wholesalers and retailers who do not conform to such prices. P. 307.

As the court interprets the District Court's opinion, the indictment in this case was interpreted as not charging the defendant with selling to dealers under agreements obligating them not to resell at prices other than those fixed by defendant. P. 306. *Dr. Miles Medical Co.* v. *Park & Sons Co.*, 220 U. S. 373, distinguished.

253 Fed. Rep. 522, affirmed.

The case is stated in the opinion.

Mr. Assistant to the Attorney General Todd, with whom *Mr. Henry S. Mitchell*, Special Assistant to the Attorney General, was on the brief, for the United States.

Mr. Charles E. Hughes, with whom *Mr. Charles Wesley Dunn* and *Mr. Mason Trowbridge* were on the brief, for defendant in error.

MR. JUSTICE MCREYNOLDS delivered the opinion of the court.

Writs of error from District Courts directly here may be taken by the United States "From a decision or judgment quashing, setting aside, or sustaining a demurrer to, any indictment, or any count thereof, where such decision or judgment is based upon the invalidity, or construction of the statute upon which the indictment is founded." (Act of March 2, 1907, c. 2564, 34 Stat. 1246.) Upon such a writ "we have no authority to revise the mere interpretation of an indictment and are confined to ascertaining whether the court in a case under review erroneously construed the statute." "We must accept that court's interpretation of the indictments and confine our review to the question of the construction of the statute involved in its

decision." *United States* v. *Carter*, 231 U. S. 492, 493; *United States* v. *Miller*, 223 U. S. 599, 602.

Being of opinion that "The indictment should set forth such a state of facts as to make it clear that a manufacturer, engaged in what was believed to be the lawful conduct of its business, has violated some known law, before it is haled into court to answer the charge of the commission of a crime" and holding that it "fails to charge any offense under the Sherman Act or any other law of the United States, that is to say, as to the substance of the indictment and the conduct and acts charged therein" the trial court sustained a demurrer to the one before us. Its reasoning and conclusions are set out in a written opinion. 253 Fed. Rep. 522.

We are confronted by an uncertain interpretation of an indictment itself couched in rather vague and general language. Counsel differ radically concerning the meaning of the opinion below and there is much room for the controversy between them.

The indictment runs only against Colgate & Company, a corporation engaged in manufacturing soap and toilet articles and selling them throughout the Union. It makes no reference to monopoly, and proceeds solely upon the theory of an unlawful combination. After setting out defendant's organization, place and character of business and general methods of selling and distributing products through wholesale and retail merchants, it alleges—

"During the aforesaid period of time, within the said eastern district of Virginia and throughout the United States, the defendant knowingly and unlawfully created and engaged in a combination with said wholesale and retail dealers, in the eastern district of Virginia and throughout the United States, for the purpose and with the effect of procuring adherence on the part of such dealers (in reselling such products sold to them as aforesaid) to resale prices fixed by the defendant, and of pre-

venting such dealers from reselling such products at lower prices, thus suppressing competition amongst such wholesale dealers, and amongst such retail dealers, in restraint of the aforesaid trade and commerce among the several States, in violation of the act entitled 'An Act to protect trade and commerce against unlawful restraints and monopolies,' approved July 2, 1890."

Following this is a summary of things done to carry out the purposes of the combination: Distribution among dealers of letters, telegrams, circulars and lists showing uniform prices to be charged; urging them to adhere to such prices and notices, stating that no sales would be made to those who did not; requests, often complied with, for information concerning dealers who had departed from specified prices; investigation and discovery of those not adhering thereto and placing their names upon "suspended lists"; requests to offending dealers for assurances and promises of future adherence to prices, which were often given; uniform refusals to sell to any who failed to give the same; sales to those who did; similar assurances and promises required of, and given by, other dealers followed by sales to them; unrestricted sales to dealers with established accounts who had observed specified prices, etc.

Immediately thereafter comes this paragraph:

"By reason of the foregoing, wholesale dealers in the aforesaid products of the defendant in the eastern district of Virginia and throughout the United States, with few exceptions, resold, at uniform prices fixed by the defendant, the aforesaid products, sold to them by the defendant, and refused to resell such products at lower prices to retail dealers in the States where the respective wholesale dealers did business and in other States. For the same reason retail dealers in the aforesaid products of the defendant in the eastern district of Virginia and throughout the United States resold, at uniform prices fixed by

the defendant, the aforesaid products, sold to them by the defendant and by the aforesaid wholesale dealers, and refused to sell such products at lower prices to the consuming public in the States where the respective retail dealers did business and in other States. Thus competition in the sale of such products, by wholesale dealers to retail dealers, and by retail dealers to the consuming public, was suppressed, and the prices of such products to the retail dealers and to the consuming public in the eastern district of Virginia and throughout the United States were maintained and enhanced."

In the course of its opinion the trial court said:

"No charge is made that any contract was entered into by and on the part of the defendant, and any of its retail customers, in restraint of interstate trade and commerce—the averment being, in effect, that it knowingly and unlawfully created and engaged in a combination with certain of its wholesale and retail customers, to procure adherence on their part, in the sale of its products sold to them, to resale prices fixed by the defendant, and that, in connection therewith, such wholesale and retail customers gave assurances and promises, which resulted in the enhancement and maintenance of such prices, and in the suppression of competition by wholesale dealers and retail dealers, and by the latter to the consuming public."

* * * * * * * * * *

"In the view taken by the court, the indictment here fairly presents the question of whether a manufacturer of products shipped in interstate trade, is subject to criminal prosecution under the Sherman Act, for entering into a combination in restraint of such trade and commerce, because he agrees with his wholesale and retail customers, upon prices claimed by them to be fair and reasonable, at which the same may be resold, and

declines to sell his products to those who will not thus stipulate as to prices. This, at the threshold, presents for the determination of the court how far one may control and dispose of his own property; that is to say, whether there is any limitation thereon, if he proceeds in respect thereto in a lawful and bona fide manner. That he may not do so fraudulently, collusively, and in unlawful combination with others, may be conceded. *Eastern States Lumber Association* v. *United States*, 234 U. S. 600, 614. But it by no means follows that, being a manufacturer of a given article, he may not, without incurring any criminal liability, refuse absolutely to sell the same at any price, or to sell at a named sum to a customer, with the understanding that such customer will resell only at an agreed price between them, and, should the customer not observe the understanding as to retail prices, exercise his undoubted right to decline further to deal with such person."

* * * * * * * * * *

"The pregnant fact should never be lost sight of that no averment is made of any contract or agreement having been entered into whereby the defendant, the manufacturer, and his customers, bound themselves to enhance and maintain prices, further than is involved in the circumstances that the manufacturer, the defendant here, refused to sell to persons who would not resell at indicated prices, and that certain retailers made purchases on this condition, whereas, inferentially, others declined so to do. No suggestion is made that the defendant, the manufacturer, attempted to reserve or retain any interest in the goods sold, or to restrain the vendee in his right to barter and sell the same without restriction. The retailer, after buying, could, if he chose, give away his purchase, or sell it at any price he saw fit, or not sell it at all; his course in these respects being affected only by

the fact that he might by his action incur the displeasure of the manufacturer, who could refuse to make further sales to him, as he had the undoubted right to do. There is no charge that the retailers themselves entered into any combination or agreement with each other, or that the defendant acted other than with his customers individually."

Our problem is to ascertain, as accurately as may be, what interpretation the trial court placed upon the indictment—not to interpret it ourselves; and then to determine whether, so construed, it fairly charges violation of the Sherman Act. Counsel for the Government maintain, in effect, that, as so interpreted, the indictment adequately charges an unlawful combination (within the doctrine of *Dr. Miles Medical Co.* v. *Park & Sons Co.*, 220 U. S. 373) resulting from restrictive agreements between defendant and sundry dealers whereby the latter obligated themselves not to resell except at agreed prices; and to support this position they specifically rely upon the above-quoted sentence in the opinion which begins "In the view taken by the court," etc. On the other hand, defendant maintains that looking at the whole opinion it plainly construes the indictment as alleging only recognition of the manufacturer's undoubted right to specify resale prices and refuse to deal with anyone who failed to maintain the same.

Considering all said in the opinion (notwithstanding some serious doubts) we are unable to accept the construction placed upon it by the Government. We cannot, *e. g.*, wholly disregard the statement that "The retailer, after buying, could, if he chose, give away his purchase, or sell it at any price he saw fit, or not sell it at all; his course in these respects being affected only by the fact that he might by his action incur the displeasure of the manufacturer, who could refuse to make further sales to him, as he had the undoubted right to do." And we

must conclude that, as interpreted below, the indictment does not charge Colgate & Company with selling its products to dealers under agreements which obligated the latter not to resell except at prices fixed by the company.

The position of the defendant is more nearly in accord with the whole opinion and must be accepted. And as counsel for the Government were careful to state on the argument that this conclusion would require affirmation of the judgment below, an extended discussion of the principles involved is unnecessary.

The purpose of the Sherman Act is to prohibit monopolies, contracts and combinations which probably would unduly interfere with the free exercise of their rights by those engaged, or who wish to engage, in trade and commerce—in a word to preserve the right of freedom to trade. In the absence of any purpose to create or maintain a monopoly, the act does not restrict the long recognized right of trader or manufacturer engaged in an entirely private business, freely to exercise his own independent discretion as to parties with whom he will deal. And, of course, he may announce in advance the circumstances under which he will refuse to sell. "The trader or manufacturer, on the other hand, carries on an entirely private business, and can sell to whom he pleases." *United States* v. *Trans-Missouri Freight Association*, 166 U. S. 290, 320. "A retail dealer has the unquestioned right to stop dealing with a wholesaler for reasons sufficient to himself, and may do so because he thinks such dealer is acting unfairly in trying to undermine his trade." *Eastern States Retail Lumber Dealers' Association* v. *United States*, 234 U. S. 600 614. See also *Standard Oil Co.* v. *United States*, 221 U. S. 1, 56; *United States* v. *American Tobacco Co.*, 221 U. S. 106, 180; *Boston Store of Chicago* v. *American Graphophone Co.*, 246 U. S. 8. In *Dr. Miles Medical Co.* v. *Park & Sons Co.*, *supra*, the unlawful

combination was effected through contracts which undertook to prevent dealers from freely exercising the right to sell.

The judgment of the District Court must be

Affirmed.